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UNTAXING THE CONSUMER

WILLIAM THUM

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UNTAXING THE CONSUMER

(INTERWOVEN PROBLEMS)

BY

WILLIAM THUM

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INTRODUCTION.

Although this book deals largely with the untaxing of the consumer, in addition to that its first two chapters treat the land question in its relation to taxes — especially Single Tax—and likewise in relation to prices of commodities. *The purpose is really to ask questions and not, as might seem, to offer convictions or facts;* also to show advocates of various tax systems the nature of the numerous thoughts and questions that are likely to arise when citizens are pondering how to vote on Single Tax and other tax laws. Some of these questions are old and have been discussed many times, while others are new and have as yet received little attention, though they bear on the old and make it necessary to seek new answers. The remaining chapters show how we can eliminate the always troublesome tax problem from the last great natural resource still remaining in possession of the public.

Since the book is in a measure equivalent to an assortment of questions, the relation between paragraphs sometimes appears slight, the less material connect-

ing links having been discarded to shorten the text. However, the drift is toward a definite plan.

Lack of time, because of the near election-date (November, 1918) will prevent this work from having any appreciable effect on the pending Single Tax campaign in California. But, if any suggestions of value have been made, I hope they may enter into the thoughts of some leading workers for or against the Single Tax or other tax campaigns elsewhere and be used according to the good they may do.

The tax question, coupled with inseparable economic questions, creates a problem so deep and complicated that the best amateurs soon become lost in a quest for its solution. To solve the problem by nation-wide experimentation formulated by men of insufficient experience would take hundreds, if not thousands, of years, and would do avoidable harm in the meantime to the American public. Some way ought to be found to appoint a commission of life-time experts on taxation and economics, composed of people who possess the broadest possible social training and experience and who can be influenced by nothing except facts as they see them after due study. They should be men

who measure up to the reputation of Professors Richard T. Ely and Thomas S. Adams of Wisconsin, Professor R. A. Seligman of Columbia and Professor O. M. W. Sprague of Harvard. Their task should be to formulate in detail a tax plan and work out a revision of such part of the social system as may be imperative in making fair taxation possible, and what is of equal importance, the commission should devise a thorough scheme for fully informing the public regarding this plan and for putting it into practice.

Why do Congress and our State lawmakers leave this vital problem to be bungled over by self-appointed amateurs like the writer of the present book, and others? A development of the answer to this question would reveal the reason why it is so frequent that progressive economic and social moves are inaugurated only after amateurish self-appointed economists and sociologists become a serious menace to progress itself.

THE AUTHOR.

PASADENA, CALIFORNIA, OCTOBER, 1918.

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UNTAXING THE CONSUMER

(INTERWOVEN PROBLEMS)

UNTAXING THE CONSUMER.

THE LAND TAX PAYER, WHO IS HE?*

Public funds can be raised by levying taxes on: articles of consumption generally; the right to do business; net private incomes; all kinds of property, including land; land exclusively; and also by taxation in many other ways. And, aside from ordinary methods of taxation, funds can be raised through profits earned by public-owned utilities and other public activities.

Since the largest share of public funds is obtained through taxing real estate, land-tax comes to mind first in any general study of the tax question, and about the first point that presents itself is the seeming similarity and relationship between tax on land and that levied directly on articles of consumption, both of which kinds of taxation are borne by the consumer.

What the Single Taxer Means by "Land."

When the advocate of Single Tax speaks of "land", he has in mind agricultural land; industrial and commercial sites; oil, coal, iron and other mineral deposits; forests; water-power sites, in fact, everything useful to humans in its natural and undeveloped state, except air, sunshine, and

Foot Note:—This chapter, though herein somewhat revised, was originally written as an article for the "Out-West Magazine," and appeared in its number for October 1916, under the caption of "Tax Problems."

rain, even though they are themselves equivalent to "land" in cases where they cause a special and unusual advance in the value of land. In the present article the word "land" will be employed in this sense.

Used Land Would Soon Yield All the Taxes.

The Single Tax system provides that all funds used for public purposes shall be raised by taxing land alone, all other methods of raising public moneys being abandoned. This would, of course, necessitate much higher taxes on land and would doubtless result in so much of it being put to use as could under the new conditions created by this kind of taxation be profitably employed both by the private individual and the general public. Not all land can be put to use, for the reason that more of life's requirements would be produced than could be consumed by our present population, and land for which there is no early use in prospect—or surplus land—would, therefore, have to be abandoned by present owners as soon as the tax burden became too heavy for them. In consequence, it would revert to the state and, until again sold, would, of course, yield no taxes. The land used by private individuals would have to meet all taxes required to pay expenses of government. It is true that no inconsiderable portion of the unused and some of the partially used land, especially in the country, is taxed very lightly at present and, if this tax should be eliminated through reversion of such property to the public, the effect on the tax rate of the used land might be negligible; but much of the unused land in cities is today taxed heavily.

Land Tax Borne by Consumer.

Speaking in general terms: whatever the tax levied on any kind of land, it is passed along to the consumer of products derived from that land, whether the products be tangible or intangible. The tax on farms is paid by consumers of farm products. Take the wheat farm, for instance—the consumers of wheat and things made of it, like flour and bread, pay the tax on these farms. This becomes clear when we stop to realize that the wheat grower must pay the taxes on his land with the money received for his wheat, and he must get enough for his wheat to pay his taxes, farm expenses and living costs and, in the average year, a surplus covering not less than the minimum for which he will engage in the growing of wheat.

However, sometimes he is willing to pay the taxes out of his minimum surplus, because of a chance of getting back the amount so paid, with good increase, out of speculative gains from the sale of his property.

Excepting where expressly stated land taxes are herein discussed irrespective of rent and regardless of the influence of taxes on rent; the purpose being to learn who pays them. Should agricultural land suddenly be relieved to a material extent from its present taxation, the wheat grower would at first reap just that much more profit; but such a condition undoubtedly would attract more men to growing wheat, until in the course of time the price, on account of increased supply, would change until only a normal profit would again prevail. That is to say, the average profit on wheat the country over would gradually become lower following the reduction of taxes, until the annual

savings to wheat growers due to such reduction would be entirely wiped out, and the price paid for wheat by the purchaser would no longer include the extra amount formerly paid for taxes on the land. This condition would not apply to any certain locality, nor to any one year; but to wheat farms taken as a whole over a cycle of years.

If, on the other hand, instead of being more lightly taxed, agricultural lands were subjected to double the present assessment, the growers of wheat as a whole might at first suffer a loss in profit equal to the total of such extra, or additional, taxes paid; but in a short time some growers, whose reduced profit would no longer provide a minimum surplus for which they would raise wheat, would cease growing it, and the absolute or relative lessening of supply resulting as a consequence would cause a gradual change in prices so as to again advance the profit until the double assessment was fully covered and the original minimum of profit re-established.

In the two preceding paragraphs increase and decrease in profits is referred to only. No mention is made of increase and decrease in price, but of "change in price," although enlarged profits tend to increase price and reduced profits tend to decrease it. The writer has done this, because another element affecting the price of wheat enters into the problem. For instance, if agricultural land were made more nearly tax-free, under the present system of private ownership, land-monopoly would be strengthened. (See foot-note.)

FOOT NOTE:—If land taxes were to be removed entirely, while all other economic conditions were allowed to remain as they have been, land monopoly, as revealed in rents, would soon become intolerable. Not many years ago this was the condition in nations where large holdings, constituting in the aggregate a great area of the country, practically escaped taxation. Instinct tells us that land ought to be freed from taxation and from price as soon as possible, to bona-fide users. A suggestion to this end is the main purpose of this book.

This would result in a rise in the price of all land, reducing the number who would otherwise engage in the growing of wheat and in all probability reducing the number of acres planted, thus checking production. The price of grain would, therefore, have a tendency to rise. An advance in the price of land would cause a decrease in the number of proprietor farmers and an increase in the number of tenant farmers, resulting in higher interest charges on the one hand, or higher rents on the other, and the total of such charges and rents paid by them would, also, have to be covered by the average price of wheat. In short, the less the land tax the more the rent, and vice-versa. Single Taxers intend that taxes shall be equal to the full rent value of land; but rent value under this system will cover the present land tax, as well as present rent. However, improvements on land will not be taxed; but, because unimproved land will soon yield no taxes, that which is improved shall as a whole have to bear the aggregate amount now assessed against improvements, and shall not the consumer still be compelled to pay the total land tax, whatever its amount may be?

Now, the tendency to lower the price of wheat by reason of the lessening of land taxes and the counter tendency to raise the price through strengthening land-monopoly neither balance one another nor do they have a fixed relation to each other. Therefore, the full effect on the price of wheat, due to the lightening of land taxes, would not be ascertainable without records based on wide experience and the most extensive investigation.

Suppose that, instead of reducing the tax on agricultural land it were doubled, as suggested

before. In such case the returns for wheat to the grower would eventually have to cover this increase; but, on the other hand, such an advance in taxes would weaken land monopoly, lowering farm rent and cheapening farm land, thus rendering it more available for use. If his land were mortgaged, the wheat farmer would have to pay less interest on his land per bushel of wheat produced; because the mortgage would amount to less per acre. On the other hand, if his farm were not mortgaged, the charges on capital invested would be less on account of the lower price of land. More people naturally could and would try to make a living on raising wheat, and production would increase relatively faster than population. The saving to the farmers in interest and rent and the increase in production would then tend to reduce the price.

Of course, the problem of determining all the indirect effects that land taxes have on prices paid by the consumer for the products he uses is more complex than here outlined, and many other questions affecting price enter and will continue to enter it until our economic system becomes more socialized. It seems quite plain, however, that an increase in the tax on wheat land has a tendency to raise the price of wheat and that a weakening of land monopoly, due to this increase in taxes or to any other cause, contributes to lower the price. But in this case, as in the preceding one, the forces that tend to lower the price and the opposed forces which tend to raise it do not offset one another, nor do they bear a known relation to one another; so their net effect on the price of wheat cannot be estimated at the present time.

In speaking of the rise and fall in the price of

any commodity at any particular time, we ought to consider changes in price in relation to the average wages prevailing at that time; but this would be going farther than the purpose of the present paper demands.

One aim of this article is to ascertain whether the tax on land in general, irrespective of any economic effect it may have, is ultimately transferred to the consumer through the prices of materials derived from land. In other words, what we are just now trying to determine is who pays the land taxes, not how difficult or how easy it may be for him to pay them. Perhaps the following illustration will aid better in revealing the facts:

Baker and Grocer Finance the Tax.

As explained before, the price paid for wheat by the miller must cover the taxes paid by the owner of the wheat farm. At the time the miller sells flour to the grocer and the baker he demands a sum that will cover the cost of wheat charged him by the farmer, which cost, as just explained, includes all taxes on the wheat land; but his price also covers the tax he paid on the industrial site on which his mill stands.

The grocer and the baker, therefore, each indirectly pays such proportion of the farm taxes in question as will correspond with the quantity of wheat used to make their flour, and likewise such proportion of the taxes on the mill site as the quantity of their flour respectively bears to the total output of the mill.

Tax Finally Reaches Consumer.

When the grocer sells flour and the baker sells baked articles at prices including their purchase

price of flour, they are reimbursed by the buyer—the consumer—of flour or of baked goods in an amount to cover taxes on wheat farm, mill site, and the city lots on which are located the grocery and bakery.

It can thus be asserted that, in the course of its travels, the tax on all the land involved reaches the individual consumer in some indefinite relation to the quantity or value of materials purchased by him.

To illustrate in still another way, let us suppose that, through new methods of fertilization, cultivation and harvesting, an average acre of land could be made to yield normally one hundred bushels of wheat, and that the grain could be delivered to the local elevator at a cost to the farmer not exceeding twenty-five cents per bushel. The result would be that the price of wheat to the consumer would in all probability soon drop below fifty cents per bushel at the elevator. Suppose, on the other hand, that by reason of an uncontrollable, continued and world wide blight, wheat and related grain were on an average to cost the farmer three dollars a bushel at the elevator; then, of course, the average market price of wheat at that point would have to be more than three dollars. If, under such conditions the price were by artificial means kept continuously below that figure, the grain grower would have to turn his efforts to other crops, or he would finally lose his property, compelling the country at large either to raise grain as a public enterpise or to subsidize the grower.

Direct Tax on Articles of Consumption.

If a straight ten cent tax were levied on each hundred weight of wheat, the tax would be shifted

onto the consumer in a relatively more direct, constant and uniform manner. This would constitute a direct tax on each article of consumption containing a wheat product; but in the long run the result would be the same as if a corresponding amount were added to the regular tax on the wheat land.

Every Land Tax Affects the Consumer.

The argument used to demonstrate that the consumer of wheat bears the taxes on wheat land can be applied with equal force to show that the consumer of raw fruit bears the taxes on orchard land, and the grocer's lot; of canned fruit, the taxes on orchard land, cannery site and mercantile sites; of cotton goods, those on cotton fields, mill and warehouse and mercantile sites; and so on, with every article of consumption.

The foregoing carried to a conclusion would show that the consumers, as such, pay all the taxes on all the land, each in some indeterminable proportion to the articles of consumption purchased by him.

Under a system that raises funds through taxing land exclusively, as proposed by advocates of Single Tax, the indirect taxes thus paid by the consumers in this country, in lieu of all present taxes, duties and licenses, would soon amount to more than five billion dollars annually—an amount so large as to require distribution according to the most equitable plan that man could devise.

Land Tax Inequitable.

Two Families:—An average family of the class having an income of $1,000.00 a year may be able to save, say $200.00 annually through economizing for the "rainy day"; an average family of the

class having an income of five thousand dollars per year, after spending twenty-five hundred dollars, can much more readily save two thousand five hundred dollars annually for its day of reverses. Using the word *consume* in its broadest sense, the former household with eight hundred dollars to spend for current expenses consumes in money's worth slightly less than one-third as much as the more fortunate family. Since land tax is covered by the price of land-products, or articles of consumption, it can be said (without trying to be too exact) that the land-tax thus indirectly paid by the former family would amount to about one-third of that paid by the latter who are in a position to save easily over twelve times as much.

Uneven in Application.

On account of innumerable conditions that affect prices, there are many instances when the tax on land is shifted onto the consumer only in part, and in certain cases he is required to bear none at all, while in other instances it is loaded onto him with heavy increase.

Seeking Further Knowledge.

Now, if all taxes were levied exclusively on used land, and if, at the same time, unoccupied land were to revert to the public and no longer be subject to taxation, we should, as the writer understands it, be under the Single Tax System, and, if the arguments herein be correct, the consumer, as such, would indirectly pay practically all of the taxes collected by the public; so that taxation, at least when considered without regard to any special modifying, economic effects that any certain plan of assessment may have on the social

organism, might be still more inequitably apportioned than it is now.

Before determining upon the best method of taxation, however, we shall have to decide whether any system of taxation whatever should be used primarily for purposes of correcting faulty social and economic conditions; whether it should be employed with the single view of distributing such tax burden as may be provided by law for purely governmental purposes as justly and equitably as possible, depending altogether on direct methods of correcting these faulty conditions, or whether it should compromise between correcting such social and economic wrongs and levying taxes for governmental purposes equitably and justly. Before making a decision we should also take into account the disturbing effect that any radical change in the tax assessment may have on our economic life, so that we may plan upon a system of taxation in such a way that its introduction will not cause temporarily disastrous economic results. Furthermore, unless our study reveals the main principles on which taxation should be based, our conclusion will be of doubtful value.

At heart we all want the best possible solution of the tax problem; but, before we can solve it logically and satisfactorily, we must go deeper into the question as a whole.

THE OTHER SIDE OF THE SINGLE TAX QUESTION AND PROBLEMS CONNECTED WITH IT.

If the foregoing article is logical, it is clear that tax on land is not a fair method of taxation, unless it be just that the actual or ultimate consumer pay all the expenses of conducting a nation's affairs in proportion to what he consumes and irrespective of what or how much he produces or what share of the world's goods may fall to his lot.

Tax System Result of Cupidity.

Our existing land tax system is the price of human cupidity and of business incapacity on the part of the public. The blame, if any, for its existence is probably on every man, both living and dead, in proportion as he is or has been a tax hater or has been part of a community incapable of meeting weighty economic problems. Had all men been scrupulously honest and public-spirited, and had each insisted on paying his full share of taxes, whatever their nature, in order that no one else might perchance pay any part of them for him, an equitable system of taxation would have been evolved long ago, and I believe it would not for so long a time have been a system covering land. The desire to be fair would have centered human thought on ways and means to discover a just form of taxation and to create conditions that would make fair taxation possible. Such sentiments seem, however, to be idle dreams, except insofar as they point the way toward a higher moral state far in the future.

Causes Contributing to Our Land Tax.

Our present land problem and system of land taxation grew in part out of:

First: Fear of loss, resulting in extreme caution in the selection of permanent investments. Vacant land was considered the safest investment that could be made, and this was true in a measure, so long as land taxes were low. Because of this belief vacant land was freely sought for investment purposes, making some kind of land tax necessary until a more just type of ownership should be adopted.

Second: Speculative tendency. Much vacant land had a gambling chance of increasing in selling value beyond its original price, plus the cost of holding. Buying land was like acquiring a ticket in a lottery, issuing but one ticket, the price of which equaled that of a certain known piece of land. The annual taxes and other costs of carrying the property might be said to have represented a sort of fee to keep the ticket (representing the land title) valid until the drawing date of the lottery, which would correspond to the date of the sale of the property. On this date two cards would be placed in the lottery, one drawing an amount larger than the cost of the ticket plus the annual fees referred to, and the other drawing a smaller amount. The card calling for the larger figure would represent a profitable sale of the land and the other card would stand for a losing sale.

Now, this annual tax and other costs of holding had to be relatively small or the lottery feature of the land purchase would have been so counteracted as to have spoiled the government's lottery

game for raising public funds, and the public income would thus have become more difficult to collect. This, too, was the cause of much private ownership in vacant land and contributed a great deal toward our present land and tax problems.

Third: Tax dodging, arising from the nearly universal tendency to resist or avoid in whole or in part the payment of legally assessed taxes of any kind, no matter how fairly apportioned. Selfish resistance to taxation was one of the prime causes for taxing land in this country and for granting proprietorship in it. Land had to be taxed, because taxes on other property could in the past be evaded too easily, and proprietorship in land had to be granted in order to levy the taxes upon it—especially so if it was not intended for regular use.

Fourth: Official incapacity. Land assessment was one of the simpler ways of raising public moneys. Real estate was always one of the relatively easy things to assess, because: a, it could not be concealed from the assessor; *b*, the speculator in vacant land was not as likely as others to complain of his taxes if they left him more than an even chance to win out; *c*, taxes paid by the speculator lighten taxes on the land of others and thus in some degree lessen complaint from the non-speculator.

In the past taxes were largely regarded as a graft and office holders handling public moneys were almost indiscriminately called grafters. This was so partly because some tax payers wanted an excuse for dodging taxes and partly because there was sometimes truth in the assertion. Although many realized that an increase in land taxes would have lowered the future purchase price of land

and saved the user of such land considerable capital and interest, it was nevertheless simply second nature for people to hate taxes.

The effects of taxation on the consumer were ignored entirely, for the reason that the consumer, though most unfairly treated, did not understand the problem. Had he understood it, he could not have helped himself; for he had but little political force.

Generally speaking, public officials can be depended upon to adopt the easiest method of doing things, especially if all other ways are appreciably more difficult. In fact, our government is only now learning business details and principles and acquiring a capacity to do business of a kind and quality that will enable it to levy and collect successfully other than our simple forms of property and commodity taxes.

Fifth: The necessity in the past of giving titles in fee simple, in order to warrant the making of improvements. Once the land was held under such titles taxes had to be levied on it or there would have been no obstacle whatever to a more limited number of men owning it all. The application of other methods of fully securing an owner in the continued occupancy of improved land, for instance "adequate use", was heretofore beyond the capacity of public business. Yet, had all men been honest and well informed regarding tax matters, they would probably have been conscientious in the use and proprietorship of land and the will to solve the land question would have developed the necessary business capacity to do so.

MONOPOLY.

Monopoly is closely related to tax and land questions: *first*, because it usually exacts from the consumer what may be called private commodity taxes, at the same time shifting its own public taxes onto him; *second*, because, by means of levying these "private taxes", it can both directly and indirectly take from uncombined producers everything that their land yields them beyond a mere living, whether the property be taxed or free, unless the monopoly be subjected to strict price regulation by public authorities.

Monopoly in Natural Resources.

In considering monopoly in natural resources let us picture a concrete example.

A certain iron corporation owns and operates a very large iron deposit which, irrespective of improvements, is taxed about $100,000 annually. In the past the fact that the corporation owned this deposit was largely why it could co-operate with similar institutions owning like deposits in partially controlling the output of raw iron and consequently in fixing an arbitary price on manufactured iron at figures that yielded an annual "excess profit", say, of one million dollars over and above a fair profit. Today the human element in great corporations of this sort, and their intimate connection with nation-wide financial interests, have much more to do with making monopoly strong.

Monopoly in Brains and Capital.

The capacity for organizing and operating great business combinations has developed rapidly within the past generation. Its growth was doubtless

aided by the opportunity given trusts through our laws to monopolize natural resources. Now, however, the ability to promote and operate large combinations is no longer vitally dependent upon such aid and their business conduct, therefore, should itself be subjected to special and direct corrective legislation.

Changing conditions have altered the structure or organism of trusts or monopolies. In earlier days they formed a close organization embracing a relatively limited number of owners. In fact, they were really incomplete and embryonic, working under a relatively undeveloped "system of business" that did not lend itself to the operation of business combination of such dimensions as we see today. They were still engaged occasionally in competitive trade wars, depending to a great extent upon their powers as relatively large buyers to extensively control the raw material markets. Later on, when the nature of the materials permitted, the trusts added extensive ownership in the sources of supply to their means of monopolizing the raw materials used by them. Now we have the super-trust which is mainly an accumulation of brain and capital. The available, especially trained minds which are not actually needed in the conduct of the trusts are nevertheless corralled through retainers' fees or given nominal employment at good salaries, or they are absorbed by other means, so as to monopolize better all the mental energy that might otherwise promote serious competition or embarrassment to these monopolies. This condition was more apparent in the past; but it is quite as real as ever, though relatively fewer "superfluous brains" have to be employed than formerly, as business combinations

are now more powerful and less vulnerable to competition.

Unused capital, that was formerly so restless for investment outside of these trusts, is now and has for some time been given a freer and more liberal opportunity to participate. Such capital, begging for investment, made the watering of stocks very easy; indeed, much more capital was accommodated through watered stock than would otherwise have been possible. This has consequently increased the number of stockholders and they, as is natural, individually and collectively have helped as they could to uphold the acts of their respective trusts, and trusts in general, in maintaining increased prices necessary to meet unreasonable expenses and to pay dividends on inflated stock. All of this was and in large measure still is a natural and inevitable outcome, but it will gradually vanish as communities learn scientific public control and collective industrial action.

The Final Control.

However, the strongest forces creating and maintaining great monopolies are the powerful financial aggregations which supply the money for operating them. To no small extent they divide the important branches in the field of industry between themselves on a friendly basis, eliminating all competition. The interlocking of directors and stockholders makes this all the more possible. The powers that control the money supply of industry, it seems, are in position to dictate just what may and may not be done in the larger private business activities. Through this financial control the greatest industries are to a marked degree co-ordinated into one superimposed, nation-wide, industrial organism that can, it seems, escape the effects

of any tax—at least until the prices of their commodities are efficiently regulated by the Government, which can be done only when our great money combination loses all undue influence at Washington. Such influence is in part maintained through the willingness of a large portion of the leading press to serve the combine by creating public opinion favorable to it, and through the lesser press that follows in its wake through lack of courage, knowledge or power to be independent.

The "great trust" should not be destroyed, however; but studied, regulated and gradually absorbed, in part at least, by state or nation.

Raw Material Corporations.

Under absolute Single Tax, special corporations, backed and guided under cover by the great, central group of financial interests, would probably be organized to supply raw materials to all manufacturers alike and would have to pay a large part of the land taxes of industry. However, the primary purpose of these corporations would be to supply with whatever materials they need the manufacturing trusts most closely connected with the financial interests. The materials here referred to would, of course, not be absolutely "raw", but would represent the minimum of human labor necessary to make them available for transportation and for transformation into usable things. If the price of these materials were kept down, the profits enjoyed by the corporations producing them would be light, this making the rental value of their land low and, under Single Tax, resulting in a land tax correspondingly low. If the prices and profits exacted were high, it would follow that the land tax would also be high.

In the absence of government price regulation

we should probably find that the financial interests would provide fairly low prices for the materials produced by "raw material corporations", in order that the cost of manufacture to the trusts using such materials might be kept down and that, without increasing prices, trust profits might remain approximately as before. In other words, any reduction in gains suffered through moderation of prices by these "raw material corporations", would be overcome through the maintenance of usual profits accruing to the trusts. This plan, as is evident, would keep down the land tax and would not materially affect the total net profits of the trusts or the central financial organizations that practically govern them, and to a greater or lesser lesser extent control indirectly all other industrial activity.

Avoiding High Land Taxes.

The reason for thus reducing the land tax would not be so much to avoid payment of extra taxes as to escape the necessity of making such increases in the selling prices as might be required to maintain the original rate of profit; for such a rise in prices might curtail the demand below the capacity of the trusts to produce, and in that way prevent the maximum of gains being made. Although manufacturing and financial concerns whose prices and services are not legally regulated can usually reimburse themselves for increase in any kind of taxes by raising prices, they gradually—almost instinctively—shape conditions to bring about some plan to avoid or reduce any heavy increase in land tax on raw materials.

I can readily see that this move of the trusts to reduce the land tax to a minimum could be frus-

trated by the government authorities arbitrarily raising it beyond what the consumer can pay; but the consumer would have to meet the burden of the advance, up to the limit of what "the traffic will bear", unless prices were regulated so thoroughly as to require administrative machinery as complicated as would be needed for the public operation of the trusts themselves.

Of course, the availability of raw materials to all manufacturers alike (which would result from the operation of these raw material corporations) might foster serious competition if it were not for the power of established finance and for the brains of "monopoly experts". This is demonstrated by the Standard Oil Company. In spite of the fact that this company controls only a part of the country's petroleum deposits, it succeeds in rather arbitrarily fixing its own selling prices and in inducing or compelling other oil concerns to adhere to them strictly.

The recently exposed business activities of the great American meat trust or combination also illustrates strongly and completely the monpolistic possibilities of combined brain and capital. It is only necessary to quote the following from the report of the Federal Commission that recently (1918) conducted the investigation of the affairs of this great combination:

"The purposes of this combination which for more than a generation has defied the law and escaped adequate punishment are sufficiently clear from the history of the conspiracy and from the numerous documents already presented, namely:-

"To monopolize and divide among the several interests the distribution of the food supply, not only of the United States, but of all countries

which produce a food surplus, and as a result of this monopolistic position,

"To extort excessive profits from the people not only of the United States, but of a large part of the world.

"To secure these ends the combination and its constituent members employ practically every tried method of unfair combination known to this commission and invent certain new and efficient methods to crush weaker concerns."

Destructive Competition Versus Trusts.

It is a question whether the public suffers more from arbitrary price-fixing by the trusts today than it did from the results of destructive competition between them, such as was common before they were so fully developed. Destructive competition was exceedingly wasteful and in the long run, of course, the public had to pay prices that would cover this waste. Now, however, the public should protect itself through government action against monopoly prices whenever they are too high.

Great corporations either consolidate and become one organization, or voluntarily or by agreement act in friendly unison, which is almost the same thing; otherwise they would again engage in destructive competition. Therefore, even if a heavy land tax on natural resources could be permanently exacted from these large business enterprises and if this did result in starting competition between them by the freeing of raw materials, as is supposed to be the case, the public would gain little and possibly lose economically and, as already shown, the land tax itself would in the course of time always appear in the prices of commodities used by the consumer.

Consumer Pays All Expenses and Profits.

In considering the iron company above cited: all profit, that is to say the "excess profit" plus the "fair profit", accrues to the corporation free and clear above expenses of operation. These include the $100,000 paid as taxes on the iron deposit. In paying for the iron that he uses the consumer, therefore, has indirectly and in the course of time to repay to the iron corporation the $100,000 that is annually expended for taxes on the ore deposit. He must also furnish to the corporation the $1,000,000 constituting "excess profits", as well as normal profit. Of course, besides furnishing the funds necessary to cover these amounts, the consumer, through his purchases of iron, must also reimburse the corporation for all the other expenses of conducting its business. However, if the corporation's price of iron products were always determined by the limit of what the consumer could pay, it would vary little whether the tax on the ore deposit were lowered to a nominal figure or raised to, say, $500,000. In such instances high taxes would reduce the corporation's profits correspondingly, although the prices paid by the consumer would remain as before.

With efficient regulation this case would be different for both the corporation and the consumer, yet the prices would always have to cover the land tax.

The "Actual Consumer".

Who is the consumer of iron? The man that occupies his own or a rented dwelling in the construction of which nails, pipes, screens, furnace; locks, hinges and other articles of iron are used,

the patient whose doctor pays office rent in a building constructed partly of structural and other iron; the individual who personally uses any product that has been transported by rail. The amount of freight charged on such an article enters into its selling price, the charge itself covering cost of maintaining rails, rolling stock and other iron of the railway's equipment. In this sense every civilized man is a consumer of iron and an indirect payer of taxes levied on land containing iron deposits. Just as he is a consumer of iron, so is he a consumer of every other elemental product of industry.

For Consumer's Self-protection.

Where a productive activity is suitable for public ownership and operation, the consumer can through the acquisition and efficient operation of such activity by the public be protected against excessive profits arising out of monopoly. In such case, however, the public must have developed a sufficiently high social character to undertake the task and must possess the will to make it succeed. The only other way to protect himself, although not so thorough, is through complete regulation of the industry by the Government,--this includes government price regulation. To be truly effective the latter must be so exact and strict as to border upon public ownership.

Public ownership is the ultimate goal in price regulation. In fact, it is a step beyond. In complete government regulation of monopoly, price regulation is always an essential thing. In these times of business consolidation no land or other economic reform can be worthily effective without the official price-fixing of important commodities.

Fair Price Regulation Inadequate In Emergencies.

However, when there is a shortage in any particular necessity, price regulation based on a reasonable profit over cost of production alone, will not properly apportion supplies as between consumers. At prices so based those consumers having a financial reserve will anticipate their wants and accumulate supplies of such a necessity only to increase shortage for those who have less money and who must make their purchases in small quantities to meet their needs from day to day.

Supply, Demand and Competition Poor Regulators.

The Single Tax theory relies upon the effects of "supply and demand", and also upon the effects of competition, to regulate prices. Under such conditions the hoarding of any article of consumption in times when the supply is limited results in an extra depletion of the market and the price increases, quite irrespective of cost of production; because the dealer demands all he can readily obtain for it. Indeed, he must ask more than ordinarily; for he knows that in replenishing his stock he himself will be compelled to meet an advance of unforeseen magnitude in the market price. This is a perfectly natural economic development and results in decreased consumption and increased production; but in such cases, since prices are left to rise without any regulation by public authority, they go too high. During periods of abnormally high prices, overproduction gradually takes place. This is usually followed by subnormal rates, decreased production and tempo-

rarily increased consumption until supplies are again depleted. These low rates, so far as not taken complete advantage of by the middleman, are to the advantage of the consumer. On the whole, however, this unreliable, spontaneous regulation, always resulting from the unrestricted action of supply, demand and competition, is wasteful and is neither good for the consumer nor the producer. It tends to aggravate every economic problem, including that of land.

Price Control by Private Corporations of Important Manufactured Products.

The foregoing applies particularly to prices on agricultural products, as agriculture is still poorly organized in many lines. On the other hand all the principal manufacturing industries are well organized and strongly combined. Nowadays the latter rarely over-supply a market with their goods and usually sell at a super-normal price, determined solely by themselves, the consumer constantly paying more than is really necessary. But it must be admitted that, if it were not for this universal overcharge, the public would never attempt to regulate or conduct great industries; it would, therefore, never learn self-government thoroughly and would never get rid of being assessed for private profit on things that should be done or made collectively by the people as a whole. As far as the public allows combinations to charge unrestricted prices for their materials it would remain possible for the great private industries to absorb whatever benefits would come to the consumer through a free land policy or other means.

Competition Being Restricted.

The better an existing industry is organized, the stronger is the community of interests between the units that compose it. This increases the margin of profit required to induce competition to become active, and therefore restricts the field of competition. This margin is becoming relatively larger and is often taken full advantage of by established business. The consumer then is compelled to pay it, except so far as actual regulation by the government is inaugurated.

Price Control, Free Land and Taxation Go Together.

As soon as practicable prices of important articles, during a shortage in supply, should be determined and controlled by law, in order to keep supplies on the market until production is increased, and any excessive increase of profit due to continued advance in prices should within practical limits accrue to the public, preferably through direct *commodity taxes*. These latter are usually paid by the producer in the first instance; however, they must be finally borne by consumers. In such cases the consumer cannot be protected, except through a change in policy. To give him protection prices must be kept normal by law and a rationing of the articles introduced, as explained later.

In this discussion land is considered practically free when in its natural state it is obtainable at a low or nominal price, and a maximum, individual, tax-free holding of reasonable size is provided for by law, only the excess held above the tax-free portion by corporate or individual owners being subject to taxation. With land made free in this manner the tax on the excess portion would not

appear in the prices paid by the consumer, as the larger part of the production would come from tax-free land and this would determine prices on a tax-free basis. Thus natural economic processes would, even without government regulation of prices, place permanently on the owner nearly all of the burden of the tax on excess holdings.

It seems quite certain that free land and wise government control of prices are necessary, in order that any system of taxation whatever may be made approximately just to the individual consumer.

Suppositions.

If farm land were free in this way, production in general would doubtless be somewhat greater. If farmers would co-operate to do their own selling, dispensing with any unnecessary service of middlemen, and also eliminating waste in other ways; if they would then always curb the tendency of producers, once organized, to combine in raising prices above what is fair; if they would never yield to the temptation to reduce production below normal or withhold supplies from market for the purpose of increasing prices above what is right; if they themselves would advance the business and profession of farming, and if they would make an honest effort to meet any unusual demands for their products—free agricultural land would, for present purposes, doubtless prove a satisfactory solution of the land question so far as agriculture is concerned.

Since citizenship has not yet reached this stage of development, these things serve to impress one with the importance of new land laws and government aid and regulation.

Another Method of Apportionment.

The remaining method of apportioning articles of consumption among consumers in times of insufficiency of supplies is to maintain prices by law on a basis of cost and fair profit, and to prescribe and enforce by law the maximum quantity each consumer is entitled to purchase in a given period —in other words, to ration ourselves. This method of regulating distribution is the most thorough and equitable if efficiently managed, and it results in no increase in price for the consumer; but, under our present social organization, it is too difficult to carry out, except possibly in a crude way under conditions of utmost stress. However, when land is free and fair selling prices for essential products are established by aid of law, and rural conditions otherwise are made better, times of insufficiency of supplies will probably be more rare than now, because there will be a larger agricultural population to exert effort on increased production when the need arises. Generally speaking, the United States are not yet adequately socialized to adopt and carry out these methods fully; but we are at present ready to extend government price regulation to a few more of the most important articles of consumption. With the exception of the rates on water, electric current, gas, freight and storage, prices in times of peace have been determined largely by individuals financially interested in high profits; but, if it is found that the Government's extension of price regulation in war times is in harmony with the interests of the majority, the plan will probably be continued in a measure after the war and be applied as fast as our more important needs demand.

A Serious Result of Inflated Prices.

The remarks just given so far as they relate to the distribution of supplies, are confined mostly to periods when stocks are deficient. This was done because the solution of the problem of distribution is naturally more urgent in times of scarcity of supplies, and problems of this nature can best be demonstrated through extreme cases involving such urgency.

But there is an equivalent to shortage of supplies that has a similar effect on distribution. When the price of any article is artificially maintained by producers at a figure that yields more than a reasonable profit, the net result of it, as far as the consumer is concerned, is equivalent to shortage of supplies. Such price may be determined and maintained by mutual agreement between business houses, by monopoly or, in cases of small articles, by custom. Although the stock may be plentiful, the price thus inflated naturally retards consumption, just as though there were a shortage in the market. The selling price of any article regulates consumption largely. So long as they are artificially inflated, although profitable to the producer, prices cannot stimulate production for the simple reason that they curtail consumption below what it would have been had prices been left on a reasonable basis.

If for unusual causes the demand for an article selling at an artificially inflated price meets with a demand that overtakes the output of the industry, one of three things is likely to take place—the output capacity is increased to meet the demand fully, or the price is again artificially advanced to keep the demand down to the original capacity of production, or the ability to produce

is increased to a lesser extent and consumption is held back sufficiently through a smaller raise in the price, so as to keep the demand within the ability of the industries to supply the market. But in all three cases the result, of course, is an equivalent to shortage of supply.

In brief, an actual shortage causes a natural increase in price, while artificially made high prices result in an equivalent to deficiency in supplies.

The latter prices are the ones that cause the greater damage to the public and therefore they need intelligent regulation by the public to an even greater extent than those involving a natural shortage.

A Hidden Danger.

But there is the danger that the financial interests, through their power to mold public thought, will themselves direct the regulation of prices under cover to their own financial gain. There has always been a fight between the progressive and reactionary political and economic forces, to enlist the aid of the public in regard to legislation. One purpose of the former is to make possible a just price regulation of the great industries; of the latter, to enhance the profits of these industries. Such regulation must be fair and scientific or it cannot last. However, before it can be applied scientifically and justly to any industry the task must be studied and well learned.

Government Price Control Does Not Shield Consumer From Land Taxes.

As said several times before, even if the Government should fix prices on our principal iron products and base them on cost of production and fair

profit, the consumer would indirectly pay the annual tax of $100,000 on the iron ore deposit above mentioned. For the best interests of the public the wisest and most effective rate of individual or corporate profit must always be a definite rate determined by conditions over and above all proper expenses, including taxes. The only way to get rid of the consumer's covering this tax is for the public to relieve the iron deposit from taxation; provided not only prices are regulated, but that the continuity of title to the land containing the deposit is also made dependent on keeping the deposit at a legally fixed, minimum, beneficial use. So long as land titles are not based on an intelligently determined minimum use, land monopoly will exist, and some of its effects are quite certain to show themselves in prices paid by the consumer even under government regulation of prices. But, if this minimum use is enforced through the cruder method of land taxation (whether Single Tax or as it is at present), the consumer must bear the full, though indirect, assessment. In this regard, what is said of iron applies to all other industrial and business products.

High Ability Required.

To carry out a plan of land titles dependent upon use of land, if it is to be honestly, accurately and efficiently done, will require public servants of the highest character and of natural capacity in these lines,—men specialized, also, through training of a degree and quality that can be given only by our higher institutions of learning, and then only if these institutions will extend their operations into the field of practical experience, once they are equipped to do so.

Since the necessary knowledge covering the

proper and adequate use of land is as yet available to the public in a few fields only, the introduction of a sytem of land titles based on use, as herein discussed, would have to be undertaken step by step.

No Insurmountable Obstacles.

Eliminating excessive monopolistic profit by the methods suggested and at the same time discarding the land tax seems on first thought to offer insurmountable obstacles; but these difficulties of accomplishment are no greater than would appear in developing and carrying out a Single Tax system alone if the latter were done with an earnest purpose of making it as nearly equitable as it is possible for a tax on land to be. In fact, problems much the same in nature would have to be solved in both cases; but in the instance of Single Tax excessive monopolistic profits would still exist, as before, and the consumer could in no way be freed from an indirect payment of the land tax.

Equitably Apportioning Rent.

Were Single Tax in full operation, the public assessor would in effect be called upon to determine the annual ground rent that must be paid by farmer, merchant, manufacturer, banker and all other men whose business occupies ground space. This means the full net annual amount in dollars that the ground space is worth as a location, or as a source of supply of natural resources, to a certain class of business. Ground rent under Single Tax cannot be based on the real or estimated selling price of the land affected; for we are told by the supporters of this system there soon will be no selling price.

As Difficult as Price Regulation.

When a land owner no longer has a chance to profit by possible increase in the value of his land (or, in other words, when the element of speculation is removed from real estate investments), the income from improvements, whether the latter be erected for lease or for occupancy by the owner, must be made more secure and sufficient. Single Tax, or land rent assessments, must be so adjusted in amount that the owner of improvements will have enough of an excess in his rents to leave an attractive income after covering vacancies, uninsured risks, depreciation, obsolescence, insurance and other expenses. Obsolescence is somewhat difficult to cover; for at the time when completed an improvement may be of a grade of one hundred percent for the particular place in which it is located and through unusually rapid growth of the city or through the shifting of a particular industrial or business center it may become ninety percent obsolete almost immediately. If land speculation is eliminated these and other contingencies will have to be provided for by the assessor through adjusting the amount of Single Tax assessments, even when the land owner is himself the tenant. If such provision is not made, private improvements will necessarily cease to a great extent and public construction and ownership of improvements for private business will have to take its place to the same extent. This, although a consequence of the application of unqualified Single Tax, is diametrically opposed to the Single Tax theory; but, like it, would present many difficulties under present social conditions. Once taxes are heavily increased to effect a more rapid material and social development, as is the

intention of Single Taxers (and this will be necessary in any event), and land alone shall have to meet the entire assessment, it is practically certain that this assessment will be so large that great care in apportioning the tax will be required to avoid frequent and ruinous injustice. It will demand a method in levying taxes that will require about the same knowledge regarding a business as would be necessary to regulate fairly the prices charged by that business.

The Owner Himself Must Guarantee Land Rent.

Under Single Tax when in full operation the prospective tenant and the owner of an improved city lot must determine jointly what the rent for the improvements shall be, and the assessing agencies of the community will have to attempt annually to fix the rate of ground rent at a figure that will require the tenant either directly or indirectly to pay what the location is worth. Any mistake made by the assessor in over-estimating the amount of rent value of the land would sometimes be paid by the tenant, sometimes by the owner, while ultimately the entire rent would be borne by the consumer. Generally the owner would collect from his tenant both the rent for improvements and the ground rent and would turn the latter over to the proper authorities for public purposes in the form of taxes. But the owner must pay a tax equal to the ground rent, whether or not his tenant pays him and whether or not his property is vacant. In other words, he guarantees the ground rent to the public and to this extent is surety for the rent of his own property. In instances where the tenant contracted to pay the

taxes directly to the tax collector the owner nevertheless would guarantee the payment. However, under our present tax system, the land owner is likewise obliged to pay the tax on the property he leases out, which, in effect, is about the same thing as being surety for the payment of the rent of his own property to the amount of the assessment.

Leasing to Highest Bidder.

The following has been seriously suggested as a practical method of determining the amount of ground rent for industrial and commercial sites and for sites containing supplies of national resources; but I fear great social changes will have to take place before it can be applied. At a given time,before the expiration of any lease on a site of this kind—or, if the property be occupied by the owner, then at stated intervals—let the public authorities solicit bonafide guaranteed bids for new leases from any citizen on any such parcel of land as he may wish to rent. If any bidder offers more for a location than is offered by the occupant, whether tenant or owner,let the bidder have it; otherwise let the original occupant continue on the premises under a new lease, or as owner. The public authorities would then pay the owner out of the rent they receive an amount to cover a good net interest on the value of his improvements, as well as repairs, depreciation, obsolescence, risk, running expenses and other costs. The remainder, if any, would then be taken by the public as Single Tax.

The application of this plan would raise questions like the following: the permissible length of leases; provision for additional improvements or changes during the life of a lease; adjustments for unusual obsolescence, vacancies and tenants' de-

linquencies and failures; excessive influence of temporary business booms and depressions on size of bids for leases; real or imagined favoritism shown by officials toward one bidder or another; possible combinations fostered by merchants, manufacturers or professional men's associations to prevent free bidding; proper relations generally between the owner of improvements and the public; pecuniary adjustments covering injury to the business of occupying-owner through being outbid on the lease of his own properties.

Consolidated Under Single Tax.

Under the Single Tax system fully applied all kinds of taxes now in use will be displaced and assessments will be levied on land alone. This means that taxes now levied on buildings and other improvements, on personal property, on business activities, on articles of consumption, on incomes, on imports, etc., will all be assessed against land (as the word "land" is defined by Single Tax advocates), in addition to what is already levied upon it. It is generally acceded that, as civilization advances, collective or governmental activity must expand in scope and taxes must increase proportionately. This increase also will fall onto the land. However, the plan of Single Tax provides that the so-called natural resources, considered as a portion of the land, shall be more heavily assessed, perhaps so freely as to offset the increase that would otherwise be necessary on city and farm land. Single Taxers themselves believe, however, that such an offset would be only partial. But, as explained elsewhere, the consumer would through prices of commodities have to pay this extra tax on natural resources just as he pays any other "land" tax.

Price Fixing Essential to Fair, Thorough Taxation.

Without considering the detailed knowledge required for the full application of Single Tax, the question of price fixing alone presents a vital reason for knowing the business details of the important businesses affected. As we have seen, regulation of prices cannot be avoided as a concomitant of any complete or thorough system of taxation; for otherwise business combinations will take from the citizen through advanced prices whatever remedial benefits might accrue to him from the application of Single, or almost any other form of, tax. It must be borne in mind that as a normal result of economic law and regardless of competition in trade, most leading articles of consumption in time go into the control of combined or dominating industrial, commercial or financial interests, excepting, of course, those produced by municipally or governmentally owned enterprises in which the question of prices narrows down to a relatively simple problem. However, I reiterate that not only price regulation, but free land, is essential to fair taxation.

Details Unavoidable.

Because public authorities, in assessing effectively for Single Tax, must determine the ground rent with increasing accuracy, they will eventually have to learn fully the normal possibilities of every kind of business and business details so far as these affect profits, which means pretty nearly all principal details—especially where the source of raw materials is involved or where location is the valuable feature.

City Planning a Great Aid.

Some of the difficulties in the way of applying Single Tax could be remedied by intelligent city planning, including districting and building restrictions. Besides being an aid in apportioning taxes based on rent values, such planning, if intelligently done, always tends to increase the health and happiness of a community and otherwise to secure the permanence of private investments made in real estate improvements, thus encouraging the construction of better buildings. Good city planning would tend to greatly simplify the problem of obsolescence. But, notwithstanding this, as I have frequently stated, under the Single Tax plan the *consumer* would still have to pay the taxes and, therefore, the expenses of government.

A Few of Many Requirements In the Land Law.

To exempt land from taxation altogether and otherwise make it as free as physical conditions will permit would require that the public itself secure a closer approximation to practical ownership of it all and then regulate its use wisely. Private proprietorship would then consist of a reasonably qualified ownership in its use transmittable to heirs and assigns and a full ownership in the improvements upon it.

Laws regulating the occupancy and use of land by private individuals or corporations would have to be put into effect and would, among other things, have to provide for:

1. Maximum size of tax-free allotments to be allowed any single occupant for any stated purpose under given conditions, and the rates of tax-

ation, or rent, on any additional or excess land desired by the occupant, the extent of these allotments to be dependent on the need of the occupant and the good of society in general.

2. The minimum use to which an allotment may be put without the infliction of penalties or without forfeiture of the right to use or occupy the land. Naturally these conditions would be made as liberal as possible in the beginning.

3. Qualifications of public officials who estimate the use made of land by occupants and the modus operandi for determining such estimate.

4. Special courts and juries or commissions to which the citizen may appeal for a revision of the estimates regarding the use he has made of his land.

5. Land courts or commissions for deciding on the question of the public necessity of dispossessing a tenant and taking his land for public uses, or for changing it from one kind of private use to another under the same or a different occupant. These courts also to pass on the value of such improvements as the removed tenant may have made, as well as the damages to his business suffered by him on account of such removal.

Regulations of this sort would develop into a long and complicated law; but it would be a much used law which would gradually become a matter of second nature to official and citizen alike.

The Consumer's Proper Share of Taxes.

When land is free from taxation the consumer's contribution to public taxes may fairly be limited to the payment of moderate profits on services or commodities furnished by public ownership enterprises. Ultimately, when public ownership is far more general and when incomes are largely equal-

ized through improvement in our social system and a general advancement of individual capacity, it may be found that the consumer should contribute towards the expenses of government through utility rates in the proportion that public enterprises supply him with what he consumes. This, to be sure, is equivalent to a tax, but under these circumstances it is just; for it takes the place of liberal private profits formerly paid by him and is merely a case where he makes a very moderate payment to the community for what it is doing for him individually, he himself, as taxpayer, participating in the profits. However, all remaining public funds, so far as there may be need of more, should be derived from other sources than an individual as consumer.

When Is Land Free to All?

No economic system can be really fair, however, that does not tend toward making land substantially free to all, and practically tax-free to every citizen who makes good use of it. When land is obtainable at a nominal price or is wholly free of cost and practically free from taxation to all who use it sufficiently, and when the prices of important products are reasonably regulated throughout from producer to consumer, then only will land be practically free to every citizen regardless of his occupation, be he farmer, mechanic, merchant, minister, soldier or sailor. It will be free almost in the sense that air and water are free wherever progressive social conditions obtain.

Some Requirements of Fair Taxation.

In a society which is well balanced and highly developed a tax system should be used which can be universally applied. Also the taxes must

be direct, in order that their weight on the individual may be ascertained clearly. All direct and universal taxes are not necessarily equitable; but without conforming with these two conditions they can never be equitably applied.

Per Capita Tax.

A per capita tax of, say, $100.00 per year on all able-bodied adults would be direct and universal in its application, but extremely inequitable. However, being direct, the degree of its inequity could at least be determined as far as such a problem can be solved.

Commodity Tax Unfair at Present.

The direct commodity tax is an assessment which if applied to articles consumed by all, would also be universal in its application; but, under present social conditions, although the amount paid by any individual could be determined, it would be quite beyond human capacity to make it even approximately equitable. Only when economic and social conditions are so far advanced that that which a man consumes is definitely related to the taxes he ought to pay can this form of tax be made fair. The time for this, however, seems distant.

Land Tax an Indirect Commodity Tax.

Although in their direct form land taxes, including Single Tax, are a limited kind of assessment, they are in the final analysis indirect, general, commodity taxes. Considered in this light it is impossible to determine how much of them any individual pays. It is very evident that they are not and can not be fairly apportioned.

Some Income Taxes Shiftable, Others Not.

Corporation Income Tax.—Since taxes assessed against business are in a true sense expenses, business, whether incorporated or not, if subject to the so-called "Corporation Income Tax", will in every instance endeavor to recoup itself through increase in prices; thus, so far as it can, it will shift its income tax onto the consumer, as it does the land tax.

Income taxes on profits of corporations (and, under the present law, co-partnerships), if assessed on net income according to its size and regardless of the capital invested, is fixed at a uniform rate and not at a progressively increasing one. If this were not done, numerous stockholders or shareholders would be very unfairly taxed. For instance, let us compare two corporations, one having a capital stock of $100,000.00 making an annual profit of $10,000.00, or ten percent, the other having a capital stock of $1,000,000.00 and realizing an annual gain of ten percent, or $100,000.00. Suppose an income tax on corporation profits were assessed at a uniform rate—four percent, for instance. After paying the income tax the smaller company would have $9,600.00 left for distribution and could declare a dividend of 9.6%; the larger company would have $96,000 left for distribution and could also declare a dividend of 9.6%. It is seen, then, that a stockholder owning $1,000.00 face value of capital stock in either company would receive $96.00 in dividends from a ten percent profit. If on the other hand a progressive income tax were levied on corporation profits, the smaller company's profits might be assessed at a progressively increasing series of

rates, resulting in the aggregate in a ten percent tax on the total profits, while the larger income of the other company would naturally be assessed at a more extended series of rates amounting in the aggregate possibly to fifty percent. In such case the owner of $1,000.00 of stock in the smaller would receive a dividend of $90.00 and the owner of the same amount of stock in the larger, a dividend of only $50.00. A corporation income tax law of this kind would be unfair on its face and so detrimental to the public interest that no possibility exists of one being enacted. It is quite evident, then, that a Corporation Income Tax based on the size of the net income, irrespective of the percentage of profit accruing to the business, must be levied at a uniform rate. Such a rate cannot fairly be much above the "normal" rate on private incomes; otherwise there would be inequity between taxes on individual incomes derived from the stock or shares of corporations and co-partnerships and on individual incomes derived from strictly private effort or enterprise. Now, since the "normal" rate on private incomes will in ordinary times always be relatively low for practical reasons, the Corporation Income Tax just referred to will be likewise low. Therefore, being both low and uniform, it is particularly easy to shift onto the consumer.

Surtax, or Additional Income Tax.—The tax on incomes assessed progressively according to their size or amount, although not practicable for corporations or partnerships, is under the names of "Surtax" or "Additional Income Tax" applied to individual incomes. This tax is employed in every country where any form of individual income tax is used.

Excess Profits Tax.—The "Excess Profits Tax" is a variety of income tax which it is considered practical to levy on business profits generally, whether of corporations, co-partnerships or private business. It is assessed at a progressively increasing rate against such part of the business profit as may be in excess of a legally allowed or exempt rate of profit on the invested capital.

If the tax be moderately levied, it can and will be shifted over to the consumer, unless prices are wisely and accurately regulated to prevent this. If the highest rate is one hundred percent, or in some cases even as low as eighty percent, of the excess profits, it will defeat itself; because prices will voluntarily be lowered so as to avoid earning that portion of the excess profits affected by these high rates, or extravagant business methods will be employed for the purpose of consuming or wasting such portion of these profits.

We might think that the Excess Profit Tax in its higher percentages is a suitable device to regulate prices; but it would be so imperfect, uncertain, crude and extravagant a method as to make its continued use for such a purpose unbusinesslike. However, such a tax might, in certain cases; be made valuable as an emergency measure for partially, roughly and indirectly regulating prices until it became feasible to regulate them directly and scientifically. (See foot note.)

But whether or not it is feasible to raise prices to meet a tax, whether or not the Government regulates prices,—the consumer must still cover all taxes paid by business, for otherwise the latter would drift toward insolvency.

FOOT NOTE:—So far as the Excess Profit Tax may be covered by prices charged the consumer, it is equivalent to an indirect commodity tax and to the extent to which it is borne by business it lessens dividends and is equivalent to an indirect Income Tax on the stockholder.

Individual Income Tax Difficult to Shift.

It seems clear enough that the tax on business is practically all shiftable to the consumer. But it is also clear that, if business is relieved of taxation, this would not automatically guarantee the consumer such prices as are really fair to him. Such prices can be established only through intelligent price regulation by State or Nation.

Even if we bring about tax-free land and business and price regulation, taxes would still have to be levied, and, in order to improve the present situation, they would have to come from sources of such nature that would not allow the burden to be shifted onto the consumer. So far as I can ascertain the Income Tax on individual incomes is the only one that could not to any great extent be made to fall upon the consumer.

There are relatively few cases in which individual members of a firm or stockholders of a corporation are in position to raise prices so as to cover even their individual income taxes. As a matter of fact, taxes on individual incomes are for the most part not shifted, and for this reason the Individual Income Tax may be the best to adopt ultimately, as it will save business, as well as the consumer, from taxation. As already made apparent, this can be done with the best result only when business is regulated in the interest of the public and when our plans and devices for levying the Income Tax on individuals are better developed.

The tax on individual incomes is or can be made practically universal. It is direct and the exact amount paid by the individual is known. It is an attempt to tax the citizen in a general way according to the good that accrues to him through the

organization that gives society its permanence and safety.

All this does not mean that a tax is equitable merely because it is an Income Tax, but that the Income Tax itself is one that can be made reasonably equitable. Doubtless it will take time and experience to perfect the Income Tax, but less than would be required for any other form of taxation designed for equity yet suggested.

A Classification of Public Taxes.

- **Public Taxes**
  - Universal
    - Revenue
      - Individual Income Tax (scientifically developed)
  - Limited
    - Revenue, such as:
      - Personal property.
      - Commodity.
      - Tariff for revenue.
      - Stamp.
      - License.
      - Franchise.
      - Land (ordinary.)
      - Land (Single Tax), etc., etc.
      - Some of these can also be classed as remedial.
    - Remedial
      - Social.
      - Compensating.
      - Punitive.

This classification is not offered for any other use than the immediate and limited purpose of this discussion. By its means the definition of universal revenue tax is made clearer.

Taxable People.

Taxable individuals are those that have incomes in excess of the cost of a normal living as empirically estimated by the makers of our tax laws.

Universal Taxes.

Taxes levied with the intention of assessing all taxable individuals in some practical, approximately fair, ratable degree, are universal, and their primary purpose is to obtain revenue.

Limited Taxes.

Taxes that do, and from their nature must, altogether miss a large number of taxable people or which affect some persons relatively far less than others, are limited taxes. They often reach individuals whose income is less than what is fixed as the minimum for a normal living.

Limited Revenue Taxes.

The following are common examples: Personal property taxes, commodity taxes, tariff for revenue, and stamp, license, franchise and land taxes. The primary purpose of these taxes is to raise revenue.

All direct property taxes may be regarded as limited, even when applied in the most scientific manner; for many people having liberal incomes and who ought to pay a fair share of the costs of government, accumulate but little property and in consequence pay less in taxes than their just proportion.

Never will the land tax be other than limited. As a direct tax against the land owner it must always remain so; for not all people are land owners. As an indirect tax upon the consumer it

must also be limited, as the term *limited* is defined above, because its final apportionment among consumers is haphazard and is levied irrespective of equity.

Limited Remedial Taxes.

Taxes whose primary object is to mitigate or counteract some social fault or some public annoyance, come under this head.

Limited Remedial Social Taxes.

The inheritance tax, for instance, if regarded as a protection to society by reason of its checking the increasing accumulation of great wealth and power under one management, is a Limited Remedial Social Tax.

Limited Remedial Compensating Taxes.

To give a specific example of this form of assessment: Some states levy a tax on undersized iron tires on vehicles designed for heavy loads. This, when assessed for the purpose of compensating or repaying a community for extra damage caused as a result of cutting the surface of public roads, becomes a Limited Remedial Compensating Tax.

Limited Remedial Punitive Taxes.

Again, if the extra expense of maintaining roads, due to these narrow iron tires, does not require a sufficiently high tax to drive the tires out of use, and, if, to compel the use of wider iron tires, the public imposes a higher tax, it becomes a Limited Remedial Punitive Tax.

Taxes Not Clearly Defined as to Class.

The Inheritance Tax is by many regarded as merely a limited revenue tax. It produces revenue

liberally; but it has a greater social purpose, as already stated, and in this respect is a Limited Remedial Tax. According to the point of view of the reader, the tax on intoxicants may be regarded either as a revenue or remedial tax, and, under the latter classification, may be defined as a social, compensating or punitive tax or even as an admixture of these. The true classification of any tax, however, depends entirely on what in fact is its principal purpose or effect. Now, Remedial Taxes are limited by their very purpose which can be accomplished only by restricting them to those individuals or that part of the public meant to be affected or influenced by them.

Universal Revenue Taxes.

The Individual Income Tax seems practically the only one that can be applied universally and with any degree of equitableness; though it can, of course, be applied very unfairly and thus become a Limited Revenue Tax. In fact, the Income Tax will probably gradually develop from a semi-Limited Revenue Tax into a Universal Revenue Tax.

An Instrument.

Single Tax has a double primary purpose: *first*, remedial, to make it impossible to hold vacant land and, technically speaking, difficult to hold partly vacant land; *second*, revenue raising, to furnish all the funds necessary for government.

Single Tax is a limited remedial tax which during its introduction is also punitive, being imposed on all purchasers of land as a fine or punishment for their still owning it and holding it privately for sale. Its punitive purpose is to turn back to the public (who should always have held it) all

ownership in the land without remuneration. After imposing the penalty on the owner, which automatically and instantaneously must follow the introduction of unmodified Single Tax, it will operate as a limited remedial social tax, to keep private individuals from withholding land from use or holding it under inadequate use.

The ultimate purpose of Single Tax is to effect general economic equity; but its application, especially in its pure form, will end in giving us an indirect commodity tax and otherwise burden us with the continuance of an economic system that has become unfair and far behind the requirements of the times.

May Be Compelled to Use Single Tax.

Limited remedial taxes are not equitable in nature; yet, until society has reached a more advanced stage of political acumen and a higher degree of perfection in character, they may in some form remain essential to progress.

If the people remain indifferent to the land question, Single Tax may have to be used as a temporary instrument, even though crude, wasteful and arbitrary. It may even have to be employed ruthlessly before the public can be awakened to the coming seriousness of our land question and to the danger to our social progress of making use of superficial symptomatic remedies in the solution of this question.

Human Nature Responsible.

There is a universal desire to get as much as possible for one's efforts, even when donating them to a good cause. In this latter case we do not receive money for our efforts, but endeavor to

obtain the greatest results possible, in order to increase the personal satisfaction in our labor.

The tendency of business to shift the Income Tax, like all others, to the consumer arises from the natural desire in the investor and producer to obtain as great a net return as possible from his investment, or from his labor and thought.

It is the same even with the isolated frontiersman who has the winter's firewood to cut. He has a choice between green pine logs and dry oak logs. He also has a saw that will cut the oak with half the effort that will be needed to saw the pine, and he can get no other. The green pine will give him but one-third of the heat that the dry oak will produce. In other words, it will cost him six times as much labor to produce the required winter's fuel if he saws the pine as if he cuts the oak. His desire to get the most for his efforts will, therefore, lead him to saw his oak logs, provided that in this particular instance there is no special value for other purposes in the oak over the pine.

The tendency that leads the frontiersman to cut oak in preference to pine logs strongly influences the business man to increase the income of his business with the least extra effort possible, so as to cover as nearly as may be the newly created expense arising from Income Taxes. In fact, it is just such a simple and natural tendency that is directly and fundamentally responsible for the development of our whole monopoly-promoting, financial system, and also for the very great measure of private control that this system is under. It is partly because of this ever present tendency that it is well to tax the income of each individual as soon as practicable, assessing business less and less. Let me say again, this should

be done only as price regulation is developed, however, and the payment of individual income taxes is made difficult to avoid.

That Constant Inclination.

That same ever active, inherent tendency that keeps an individual striving for the greatest personal gain will in innumerable ways lead him to shift as much of his Tax as he can and whatever part of it is thus transferred has to be met finally by the consumer. Every such desire or force of human nature is a psychologic pressure that moves onward until, in the course of time, it meets counter forces which divert it or hold it in check. Such a tendency, while resulting in material gain, is a necessary, elemental basis for the development of intelligence in animal life. It even has its counterpart in plant life. A tree, for instance, having on one side poor, moisture-losing soil and on the other side rich, moisture-retaining ground, will send many more roots into the good soil than into the other. Some people might reason that it should be expending extra energy to send more roots into the poorer soil, so as to make up for its greater difficulty in gaining nourishment from that side. However, this desire to accomplish results with the least effort is good. Only when it is used to the undeserved hurt or disadvantage of others, consciously or unconsciously, does it become bad. Society is such a complex problem that this injury is for a long time unrecognized; but after it is discovered a more or less practical remedy is slowly evolved in the public mind, and, following this, laws and methods are gradually developed to curb an individual's efforts to obtain unfair advantage.

Taxation and Human Development.

Not everyone realizes that taxation has a profound bearing upon human development and that no two systems exert the same influence. Land tax, as we have seen, is shifted onto the consumer. The individual Income Tax can be thus shifted to a limited extent only. With the earnest effort of society to protect itself by preventing undue damage to some of its members through the individual's tendency to get all he can for his efforts, it will become more and more difficult to load the Individual Income Tax or any portion of it onto others.

I believe the proposed plan of taxation, in conjunction with the corelated social plans herein discussed, is more just and more practicable than other ideas thus far suggested and will do more to bring us to the next higher level of social progress than if Single Tax or any other new land tax were interjected. The Income Tax is probably our final type. The only constant problem in connection with it is the exact form it should take to meet changing conditions until such time when a uniform rate on all incomes would be just.

Cities the Product of Taxation.

The average vacant city lot has cost its owner and his predecessors taxes for years. They have been compelled to pay assessments for street grading and paving, sidewalks, sewers, storm drains, street openings and other public improvements. Besides, the lot has been assessed for bonds to build schools, engine houses, police headquarters, city hall, incinerators, water works, parks and other public institutions; it has been taxed for a share of the running expenses of these schools, fire,

health and police departments, street lights, etc.: it has been assessed for operating or conducting the legislative or administrative departments of city, county and state. The sum total of these and similar other expenses represents the cost of permanent public improvements and of reaching by education and experience whatever efficiency has been developed in the operation of our various governmental departments. Without such efficiency as we have today our governments would not be able to control cities or larger social units. To be sure, some of the taxes paid in behalf of the lot have been undoubtedly wasted; but the money thus lost was just as necessary for the acquisiton of experience as though it had not been wasted.

It is seen, then, that the lot has paid off a certain portion of the cost of preparing the territory within incorporated limits for city life, by reason of which people settled in that locality, the result being a city. Without the payment of these taxes no city could have been possible—the community could not have grown beyond the limits of a mere village.

Taxes and assessments, therefore, paid in behalf of each individual lot for district, city, county and state purposes, are responsible proportionally for the existence of the city, county and state in which the lot is located. Without the congregation of people there could be no large community; but, as just stated, they could not have thus gathered together, unless individual proprietors had paid the taxes on their land.

Vacant Lots and City Planning.

Without question each vacant lot has been

somewhat of an expense to the city during all these years; but, until city builders in America have developed city planning into a science that will show how to get along with the practical minimum of vacant lots with which to provide for anticipated growth, such lots in liberal number, owned privately or by the public, will be a necessary and costly evil in the United States. If private individuals had not owned them in the past, the public would have of necessity been the proprietor, and the owners of improved lots, of course, would have had to pay just so much more in taxes as would otherwise have been paid upon this vacant property.

Many Losses.

It is practically certain that at prices prevailing during the late real estate activity in the United States the average vacant city lot was not a paying investment, taking it for the entire period, say, since 1880 or 1890. This seems true even where the property has remained under its original ownership and where the original price is altogether ignored and the investment cost is taken at only the total which has been expended for taxes and assessments.

The fact is that a large proportion of vacant city lots has cost their owners in taxes and assessments more than they can be sold for in average times; yet, for various reasons, this has not resulted in their being improved. In very many cases improvement for rental purposes did not promise to pay the proprietor a fair income on the investment, not counting the cost of the lot at all. Under either Single Tax or under Government Control of land, as herein advocated, these invest-

ments in lots could not have occurred and, of course, the losses would not have resulted. As it was, the lots were poor investments at even nominal prices.

Single Tax Capitalization in Vacant Lots.

According to the theory of Single Tax the taxes and assessments invested in a city lot for public improvements and for the purpose of creating social and political conditions that make city life possible should be regarded as untaxable improvements, especially if there has been no opportunity in the past to construct paying improvements on the lot. Under Single Tax these improvements should theoretically not be taxed away from the owner, as is the intention of Single Taxers, because their value is rightfully a part of the private capital on which rents in favor of the owner should be based. (See appendix page 95.)

Detailed Investigation.

In this country strenuous campaigns have been carried on for about ten years in favor of various modifications of Single Tax. The burden of this long continued struggle has been carried largely by sincere men and the economic results expected from the application of this tax by its advocates are certainly desirable. Yet it seems that many of these advocates have lacked that self-exacting attitude that compels men to doubt their own theories until they have been proved by strictly applicable, completed experiment, or at least substantiated in part by a detailed *practical* study where no such experiment is available. In the case of Single Tax this quality of thought would have led them to make as best they could an ex-

perimental assessment over a representative area —a county, for instance—including all kinds of "land". This study would also have to deal with the question of equity involved in such assessments, especially in cases where unusual effects might occur.

Several years might be required to complete such a tentative assessment satisfactorily, and very many hard problems might be encountered for solution if the work were done with the open, honest and far-seeing minds of men that have the confidence of the public. This study might develop differences of opinion calling for patience and tolerance, and it might be found by its own supporters that the Single Tax theory would require radical or even revolutionary changes. After such a study, greater confidence would be established and the cause of free land would be on a far safer basis, because there would be fewer unexpected problems left for solution. On the other hand, many unsolved problems to overcome during an introductory application of the tax might completely wreck the cause of free land for years to come.

Some Experiments.

According to an editorial a couple of years ago in the "Public" of Chicago, a Single Tax periodical, the nearest experiment to unqualified Single Tax thus far made was by Germany in Kiao Chou, it having been introduced at the founding of that city. This experiment was doubtless ended by the Japanese when they conquered Kiao Chou, but it might have proved of inestimable value as a basis to work on. In Kiao Chou, however, the experimenters did not have to contend with the many

problems or obstacles that would have to be overcome in long established communities developed under other tax systems, though, as in the cases under discussion, the consumer paid the taxes.

The pending Single Tax initiative law in California is radically different from that anywhere in operation, except in Australia. However, Niel Nielson, Trade Commissioner to America from New South Wales, in a letter to the State Tax Commission of California, says that 'the people of Australia are not single taxers'. What part of the Single Tax theory they do not accept is not stated.

As I understand the case, if the pending California law carries at the next election, vacant and partly vacant land in this state would have to be taxed more in proportion to its average earning capacity than in any other community, including Australia. In that continent, the exclusive land tax was inaugurated twenty-three years ago,—not as early in the history of the development of that community as in Kiao Chou, but relatively earlier than if it were introduced in California now. As applied in Australia it was a modified Single Tax with very light assessments at first, which were later added to by means of a surtax on land and again by a federal land tax. However, the combined assessments, we are told, do not yet equal the rental value of the land.

I am not sufficiently conversant with the qualifying facts regarding the modified Single Tax as applied in Australia to understand why "The Public" did not regard it in the same class as that inaugurated in Kiao Chou.

So far as we seem to know (having no available data), the land taxes in Australia, except for large holdings which are subject to a progressive surtax, amount to no greater percent of the rental value

of land than do our present taxes on land in California. Therefore, if the California amendment carries, the taxes on land within that state would become relatively much higher than in Australia; for it is definitely claimed that the amendment will increase taxes on agricultural and on city, as well as other, "land". If these taxes should be approximately doubled in California, most of the vacant and nearly vacant land now assessed at an average rate for its class, if not ripe for substantial improvement, will be a total loss to its owners.

In view of the foregoing considerations the fact that a similar plan is in force in Australia, where it was introduced in the earlier days of its social and political development, does not in itself prove that the proposed California initiative law is equitable or even temporarily feasible. Complications and troubles will begin in Australia or anywhere else when taxes on land become approximately equal to its rental value. Then, at last, it will be apparent that land must be made truly "free", in order to prevent this problem from becoming too complicated and to get the greatest social good out of "land". It will then also grow more apparent that free land is necessary to protect the consumer's interests.

A Forecast.

From what has been said it is safe to forecast that the social system must in time not only include free land, but there must be a large measure of official price-fixing, and of public ownership. The individual income tax further perfected, or some closely equivalent tax, must be employed while the inheritance tax will still linger on as a remedial social tax.

Fair and Simple Tax Plan Yet Unknown.

Under present complicated, economic conditions there is little likelihood of developing an equitable tax plan that is simple, especially if we consider as a part of the system all that must unavoidably go with it. As already explained Single Tax itself, if employed, would gradually become the most complicated of all if equity were striven for.

Taxation a Great Social Trial.

It would seem that the simplest and most fundamental way to permit of a simple taxing method would be to make our economic system equitable. Now, how shall we do this? Not quickly, of course. The imperfections of human character among rich and poor alike are as much the cause as the result of economic injustice. Life's hard trials, which are all caused by human failings, are themselves the correctors of imperfections in character, and experience has taught the world that progress in this line is slow. Taxation regarded in its broadest aspect is one of our great trials and the advancement of this problem is one of the important features of our social plan now urgently needing attention. When we have adopted a well advanced plan of taxation, we may feel certain that individual and public character has improved and that we are on the way to make the remainder of our social system more equitable.

Agricultural Land.

If all agricultural land were subject to exactly the same pest, disease, climatic and irrigation conditions, and if it were uniform in quality and availability, and if all crops with the application of

the same degree of intelligence and industry yielded the same profit per acre, the apportionment of a tax-free minimum of land and the levying of an equitable land tax on excess holdings would be relatively simple. But all of these things are extremely variable, making the application of such a tax plan, as already stated, difficult, pending the acquisition of experience in applying it practically. The same thing might be said of equitably applying Single Tax or any other land tax.

Equalizing Economic Opportunity In Agriculture.

Certain things can be done toward equalizing and making more readily comparable the usefulness, or value, of different parcels of agricultural land, at the same time increasing their productiveness and availability. In urban communities City Planning can be utilized to improve and equalize the usefulness, or value, of business, industrial or residence sites; but rural land values cannot be so readily benefited by methods of this kind.

For reasons of necessity and practicability farming lands will probably be the first to be acted upon. Indeed, a good start has already been made and, as soon as the social mind turns its special attention to promoting the land and tax problems for the general good, steps will be systematically taken to equalize the worth of land according to its classification, so as not merely to realize immediate and specific results, but largely to equalize economic opportunity and to better standardize or socialize whatever agricultural production is essential to life.

In a society as complex as it is today it is an impossibility for any individual to do this for himself, and there is no other way to reach economic

equity in any field than by collective action which means ultimately governmental action. In different parts of the country there are already started or in contemplation plans to effect improvement in the productive or economic value of farms, incidentally making them more uniform in value. Some of these steps are:—

1. Government distribution of practical and scientific agricultural knowledge.
2. Government distribution of business knowledge applicable to farming.
3. Co-operation in the ownership and use of such things as public irrigating systems, jointly operated harvesting machines, etc.
4. Co-operation in marketing through state departments or mutual marketing associations.
5. Co-operative storage—grain elevators, cold storage, etc.
6. Co-operation in the buying and manufacturing of fertilizers.
7. Farm Loan Banks, or "rural credits".
8. State Land Settlement systems.
9. Transportation of farm products by Parcels Post, motor truck lines owned co-operatively or by the public and, later, by government-owned railroads. Government freight rates at that time will probably be partially equalized, in order that the cost of shipping to market may be as nearly uniform as practicable for all farmers in the same marketing district.
10. Extension of good roads. Such roads reduce the mileage cost of hauling and consequently tend to equalize the cost of transportation by private means, making the value of land more nearly uniform.
11. Rapid increase in number of secondary

schools in rural districts, offering good agricultural courses.

12. A system of reporting local, as well as general, prospective crop and market conditions. This will doubtless soon be inaugurated, in order that over-production and under-production may be moderated and prices steadied.

13. Great extension and improvement of the present "farm advisor" system, operated in connection with universities. Through this the farmer is advanced in professional and business knowledge relating to agriculture. The purpose in part is to inform and aid him regarding: *a*, the agricultural value of land he purchases from the State Settlement Board, and the uses to which it can be put most profitably; *b*, what the crop requirements are likely to be for the following season. In this connection the farmer will also be given such information as will enable him to draw his own conclusions in regard to crop conditions; *c*, the latest discoveries concerning the care of the crops a farmer has planted; *d*, the latest ways of keeping records covering the results of his work, in order that the farmer may determine the value of his efforts and strive for better farming methods; *e*, the introduction of collective production to its practical limit; *f*, co-operative marketing associations.

Through Farm Advisors much will be done to increase the efficiency of agriculturists, to advance farming as a profession, to stabilize and otherwise improve farming as a business,—all of which will tend toward equalizing economic opportunity in farming and the intrinsic worth of land for agricultural purposes, and will also tend toward simplifying the land problems and the land-tax schemes in agricultural districts.

Equalizing Farm Values.

By the selection of reasonably productive land the foregoing steps will make farms nearly equal in value, provided the maximum tax-free units are varied in size so as to aid in counter-balancing variations in quality of soil and difference in the availability of these farms to markets, etc. The tax-free area of each farm should likewise vary in size, according to the number of dependents supported by the owner.

MUST STOP SPECULATION.

The State Land Settlement plan of California, together with affiliated State activities, if given a fair trial, will doubtless accomplish most of these objects and finally settle our perplexing land question, so far as it relates to agriculture, *provided*, speculation in the land coming under this plan is brought to an end relatively soon and methods are adopted to relieve the consumer from the indirect payment of land taxes.

By the terms of the California State Land Settlement law of 1917 the State purchases and subdivides under certain safeguards suitable land for a farm settlement, and develops the entire tract with roads, an irrigating system, model homes, etc. The State then sells farms to actual settlers at cost for a reasonably small payment down and small annual installments, with a low interest rate on deferred payments. It also provides these settlers with such Farm Advisors as may be necessary.

But until taxes on farm land (as well as on improvements) are eliminated, the consumer will always have to pay them, however indirectly, and, unless a minimum use of the land be exacted by

the State as a condition of continued ownership, and a proper basis be established for determining its maximum selling price when resold by the owner, speculation cannot be reduced to the minimum and the work of the State Land Settlement Board will never result in the good it seeks to inaugurate.

The price obtainable by any owner for land purchased by him under the state colonization scheme would have to be based on the original amount he paid for it to the State, plus the amount of taxes subsequently paid on the land towards public improvements, such as schools, roads, irrigating systems, etc. Depreciation and obsolesence of these improvements (and deterioration of the land, if any) would have to be deducted so as to determine the allowable maximum selling price. The cost and present worth of private improvements on each farm would have to be recorded annually on the public records for purposes of income taxes or other reasons. Thus there would be a reliable appraisal of a farmer's entire real property; but within reasonable limits he would naturally be free to sell the private improvements at any price he could obtain. However, there would always be a record of their value and the public should have the right to acquire the property by merely adding to the recorded price the reasonable damage for losses to the owner's income on account of being thus disturbed.

Fixing the Selling Price.

Since it is possible that regular taxes will have to be levied on State Settlement Land until other lands are relieved or made relievable from taxation, and since it is impractical to bring this about

until laws and rules establishing "minimum use" for all land can be applied in practice, the assessor will have to tax these "settlement lands" annually for some time to come and, in doing so, he can without much special or additional work appraise them so as to show the "maximum selling price" on the date of such assessment. In this appraisement work Rural Credit Banks may be of service. The maximum selling price, as already explained, must include the proportionate value of public improvements met by taxation on the land. If such limitations on selling prices turn out to be an illegal consideration for what the State accomplishes for the owner through these colonization schemes, they should be made legal.

If the proposed plan were to be adopted, adequate laws that would bring about the following conditions (already noted in part on pages 39 and 40), would be essential:

1. A tax-free maximum limit in area of land for each individual owner.

2. A minimum use to which every kind and class of land may be put as a condition of continued ownership. This would have to be liberally construed at first; but, as land became relatively scarcer, the restrictions regarding use would have to be increased.

3. A maximum price, based on cost, at which any parcel of "settlement land" may be resold by the owner.

There is no good opportunity at hand to introduce such laws, except in connection with the State Land Settlement scheme.

A Self Expanding Plan.

This Settlement plan will tend to direct practically all of the business of subdividing and selling

farm lands to the State Land Settlement Board. If the land be freely sought by settlers, the State, to facilitate business after the scheme is well developed, will probably organize County Boards as subsidiary organizations to the State Board. The present small private owners will farm their lands as heretofore and the large ones will hold their land until the State Board desires it for subdivision purposes and in the meantime will either leave it idle or farm it by grazing, grain growing, or in any of the other large ways. This will result in no injustice to any of the present land owners. Indeed, more people will be attracted to the state and the land will be subdivided earlier than would otherwise be the case, and the large landholder will on the average have an earlier opportunity to dispose of his land at a price the State thinks fair. The small farmers in common with the state will grow more prosperous, and business conditions generally will be better. There is hardly a doubt that self-interest will induce owners of large tracts aggregating millions of acres of good land to offer it voluntarily to the State Board at moderate prices; but should it not be thus offered, there are several ways, if any must be employed, to induce the owners to relinquish their holdings at satisfactory figures. Surtaxes on large tracts would suffice if no less arbitrary method were availing.

Once a large area of land has come under the State Land Settlement plan, and once its subdivided parcels have been given a definite, non-speculative, official selling price, it will become possible to gradually extend this price scheme by voluntary action of the owners to all other agricultural land. This would require decades to accomplish in its entirety; but, before a half million acres have been disposed of by the Board and have

become fully producing, the problem of agricultural land in California may be considered solved. All the essential details for operating the plan will by that time be worked out and its momentum will carry it over the entire state. After this stage of the land problem has been reached one of several plans may be adopted by the State to acquire by purchase full ownership of farm land (exclusive of improvements).

With definite, fixed, legal selling prices of land established, the State, when it is older and richer, might annually purchase a one percent or larger undivided interest in each parcel of land, without acquiring any proprietory rights in the operation of the land or any share in the profits. Thus the fixed selling price will be reduced so much each year between seller and purchaser. In time there would remain no selling price and long before that the Income Tax will probably have superceded all land taxes, as well as numerous other forms, except possibly a nominal tax to cover the administrative governmental work connected with land.

After the State Settlement Board has accomplished enough to prove the plan an unquestioned success, the public will be ready for similar reforms in practically every branch of the great land question wherein the principle will undoubtedly be the same, though the details of bringing these about may differ for apparent and practical reasons.

Once started rightly, the State Settlement Plan in California will be self-expanding at a geometrically increasing rate; because, on account of our favorable climate and continent-wide markets, we will draw farmers from the entire country and even from other parts of the world.

Waste and Frugality.

It is not necessary that a reform in our land laws during peace times should effect a great increase in food production per capita; for, as a whole, we have had nearly sufficient to eat. We cannot profitably consume more food than is wholesome for us, no matter what may be the demands of custom. But we can adopt a more extravagant mode of cooking and serving food, making much more food production necessary. However, in such case, we as a whole people shall have less inclination, less time and less means to live the higher life in Nature's playground or solitudes, in the universities, at social gatherings, in our home libraries, or at public lectures, or wherever an individual can obtain culture and expand the soul.

Still there is no narrow limit to the use of raw materials produced on a farm or ranch for industrial purposes, such as cotton, wool, silk, hemp, sisal, flax, oil, hides, and for the manufacture of industrial alcohol, potatoes and grain. Indeed, in the consumption of such agricultural products we can be very wasteful. For instance, we can all gradually acquire the custom of wearing a new suit of street clothes every week or month, instead of taking reasonable care of them and wearing them six months or longer. Wastefulness like this would have the same bad result on our intellectual development as extravagance in the use of food. But without wastefulness in manufactured products their consumption may legitimately increase several fold when the great majority of workers receive remuneration that will enable them to supply their families comfortably with articles

made of these products. (See foot-note). At such a time naturally more farm land per capita will be required to supply the needs of the people, notwithstanding intensification in production.

Number of Agriculturists Limited.

In a country that is highly and sensibly developed, the ratio of farmers should never be larger, as compared with the rest of the population, than that of the time required to produce the farm products of the country as compared with the entire time represented in producing the remainder of the nation's outputs. Assuming that the farmer and all other producers—industrial, commercial, professional, etc.—work an equal number of hours in an average day, these two ratios *must* be the same.

However, into the problem enters the vexing and difficult question of how much intelligence and energy has been applied to the work done by each branch of the population. But the social intelligence fortunately is becoming stronger in social problems and by conscious and direct action it is at last beginning to weigh and regulate both the intelligence and energy applied to our great industries or activities. This will result in a great advance in our social program and also will make it more feasible to estimate the number of men necessary for employment in any of the industries.

At present about half of the population of the United States is rural; but a large portion of this half is not employed on farms. Indeed, it is probably safe to say that less than two thirds of our rural population—less than one-third of the people in our entire country—consists of farmers, farm

Foot Note:—Here it is, of course, assumed that labor will first produce the increased quantity of materials and make them into useful articles.

laborers and their families. Present indications are that this proportion will not increase, for the reason that our methods of production, as well as our wants, change as civilization grows, and we seem to require an increasing percentage of people to make the things that are produced elsewhere than on the farm. Unless, therefore, we return to the simpler life of the past as a whole nation, dispensing with many of the modern requirements and conveniences (including our increasing school facilities and the refining pleasures of music and art and what not), we shall probably never again have more than one-third of our population engaged in farming pursuits. In other words, we must recede toward primitive conditions if we adopt the "Back to the Land" movement beyond actual requirements. Consequently, by solving the farm land and farm tax problems we shall leave extremely important parts of our tax and land questions still to be settled.

This all refers to times of peace, of course. If the present war lasts much longer and we must feed half of Europe for an indefinite period, conditions must be quite different in these respects until after a world-wide economic equilibrium has been re-established. But for immediate war purposes large tracts of land can be utilized on an extensive scale under state supervision, if necessary, so far as men and equipment are available.

Immeasurable Good.

If farms are made more available and the conditions of farm life are greatly improved through state encouragement, those who are naturally inclined toward farming will take up that occupation. On the other hand, those engaged in it and who have other inclinations can sell out more

easily, because the business and living conditions on farms will be more satisfactory. Thus farming, the most important of all industries, will make great strides forward and fall more largely into and remain in native American hands, to the immeasurable good of our American manhood. As the consumer is relieved from taxation and the citizen is taxed according to his income, and privilege is reduced to a minimum and monopoly made comparatively harmless—all through wise laws, good and enlightened citizenship and men specially trained in our public service—so will our social life advance and result in a better race of men, provided the State aids in making agriculture second to no other occupation in desirability.

To reach the highest state of which society is capable, prices of some essential products must be regulated and others must be produced in industries that are public-owned and operated, and all kinds of land must in the end be made practically free of cost and free of all but nominal taxes. I feel, without any proof of its being true, that for the greatest good of our nation the land problem must be settled without avoidable injustice to present owners.

FREE WATER.

Free water is that which is owned by the public and is made available for both the public and the individual as usable water or as electric power; provided, however, that no charge is made for the water itself, all charges being limited to the cost of making it available for use.

For water to be free it must be supplied to the consumer at actual cost or with only small profits accruing to the public itself; it must be supplied without the extra cost arising from taxation, or any other avoidable expense.

The cost of water made available for use by private enterprise should and must cover a reasonable net profit; it must also include whatever taxes are assessed against the business, but it usually covers avoidable expenses of operation, and sometimes an income or profit on over-capitalization. We can never obtain free water from private corporations.

Only under public-ownership of water can such profit be eliminated or at least reduced very low, and the probability is that only under public-ownership can taxes on the water industry be wholly done away with.

The price of free domestic and irrigating water should be sufficient to meet every necessary item of operating expense. Through properly charging off depreciation and obsolesence this expense in the course of time covers the cost of construction of the plant itself.

It is readily seen that free water, delivered ready for use, does not mean water without cost to the consumer, but it does mean water at a price that covers neither profit, taxes nor unnecessary

expenses, and above all it means no interest or profit charge on a capitalization of the water.

In the same manner the price to the consumer of free hydro-electric current, or power, must cover like expenses of the power industry.

The price paid for the free use of our navigable waters must similarly cover operation and maintenance and ultimately include the cost of construction of canals, channels, harbors, locks and docks, and other engineering works which make the waters available for use. However, in the case of navigable waters this price is paid by the general public, except so far as tolls are charged, which must be met by the consumer. The latter, however, receives the benefit of the price that is not covered by tolls, provided that advantage afforded to shipping by these engineering works is reflected in the shipping rates.

According to the definition of free water, as herein given, the consumer has long had the use of free domestic and irrigating water, so far as it has been public-owned, and, as we know, it is so owned quite generally. We have free water for navigation and good laws in relation to it. Heretofore, however, our privately owned railroads have to a very great extent manipulated the public out of using it, though this situation is bound to be corrected in a few years.

There is comparatively little free water-power today, although the need for it is urgent. Why are we thus backward? The production of power is a comparatively new enterprise and the public is naturally conservative in extending its activities into new fields. This conservatism has been heightened by antagonistic interests who try to frighten communities into leaving the water-power

business alone; but municipalities generally should make careful, extended investigations into the feasibility of entering into the power business, and in unfavorable cases learn how to make it feasible to engage in this branch of public service.

SUCCESSFUL PUBLIC OWNERSHIP SIMPLIFIES TAXATION

Foreword:

The development of our invaluable water power resource, if left to private corporations under laws like those proposed thus far, will enlarge and deepen our tax question. The vexatious problem of land taxation, whether the one now existing, or the one in prospect if we adopt Single Tax, will extend over and include our entire resource of water-power.

Should what remains of this resource be developed and held by private interests and be taxed under the Single Tax plan or any other, the consumer would have to pay the assessment, as well as a liberal profit and the very liberal running expenses of the corporations involved. Water power is especially adaptable to public ownership and operation, while, on the other hand, conditions affecting land make both public control and public ownership of land less simple than it would seem (as shown in the second chapter).

It would therefore, be doubly wrong to grant ownership of water power to private interests for a term of fifty years, though this has been persistently urged by the upholders of the pending water power legislation.

Were the public to develop and successfully operate this water power, the tax problem in regard to it would be eliminated. Under private ownership, however, the consumer must pay the present federal, state, county, city and other taxes, or, if Single Tax be adopted, he must pay an equivalent of such taxes on the power site. In either

case let us say the combined assessments would be from three to four percent on the invested capital. The consumer must also pay the regular profit—seven to ten percent—net on the capital employed. To this may be added at least two percent for deliberate extravagance in operating expenses. Here we have a probable total of from twelve to sixteen percent of the capital in the business applied to taxes, profits and superfluous expenses. In the case of public ownership and operation the consumer, for the good of the community, ought to pay a service rate yielding a net profit of about four or five percent on the capital. Provided it be efficiently conducted, this, as compared with private ownership of power, will give the consumer an advantage of seven to eleven percent, not speaking of greater benefits accruing to the general public.

ENERGY, POWER, LEGISLATION*

Mechanical energy (as distinguished from man and horse power), which in this article is considered to be the power derived from coal, oil and waterfalls, probably furnishes nine-tenths or more of the power required in producing everything used by man, from artificially warmed air to the Panama Canal.

Social Meaning of Mechanical Energy.

If we should gradually lose all our knowledge gained since the time of Christ in respect to the development of mechanical energy, we should revert to the plane of civilization of His time. Stronger and keener intellects would use the weaker for their man-power and direct it to their own advantage, the weaker finding judicious submis-

Foot Note:—This article the writer prepared for the "Out West Magazine," and it appeared in its number of April, 1917.

sion the best attitude to take in the matter. This was the case in the advanced countries two thousand years ago. On the other hand, if we reduce materially the cost to the public of this mechanical energy, increase the supply and multiply ways of using it, it ought to result on the part of the average man in more time for self-improvement, and a great social advance would naturally follow.

Materialistic Reasons for Developing Water Power.

Hydro-electric power requires less human effort to produce than a corresponding amount of power derived from coal or oil. It is perpetual and its present use does not lessen the future supply, as is the case with coal and oil. It is, also, less expensive. Again, every horsepower of hydro-electric energy used saves just so much coal or oil for the future. We should, therefore, develop and use our water-power as rapidly as practicable.

Coal and oil have special uses. Their consumption for power, especially where hydro-electric energy is available, should be curtailed and they should be conserved as far as possible for these special uses, both for present and future generations.

Prepare for Competition.

After the war our manufacturers may have to be relieved of all avoidable handicaps in order to hold their own—even in home markets—against foreign low-waged competition. Since mechanical energy enters directly and indirectly into the cost of all manufactured products and is a very great item of expense in railway operation, constituting a large part of every important freight rate, it is

to our interest that it be furnished to all users at the lowest reasonable price. If this relief is not given to our makers and transporters of goods, the consumer will necessarily have to meet the extra cost, and probably many articles that should be made here will be manufactured in foreign lands under lower wage conditions, and, being sold here, will weaken our industrial structure. Even if such goods were barred from entry by high tariffs, some weakening would take place.

Public Ownership Necessary.

Before the present generation has passed nearly all the energy required to run our factories and railroads and nearly all of the current for lighting our streets and buildings should come from our streams.

To furnish electric energy without material net profit beyond what is necessary to cover sinking fund and interest, and only a small net profit after bonds are once paid off, it is necessary for the public itself to own and operate our great electric plants. The intrinsic value of our undeveloped water power is far greater than that of all the oil and coal still to be extracted from the soil of the United States, even if the former were tanked ready for shipment and the latter were in bins ready for loading onto the cars. There is a continuous and perpetual supply of water power on the earth's surface and it needs only the generating plant to produce current and the distributing system to deliver it at its destination.

A Great Donation.

The inclination of our government, judging by the legislation recommended in 1916, seems to be to place this invaluable asset, this vital national

resource, into private hands under conditions equivalent almost to absolute private ownership, to be operated first and foremost for private profit. To be sure, the proposed law provides for "recapture" by the public in fifty years and for public regulation in the meantime; but these provisions are worded in most general terms, really strengthening private owners in their possession. They seem to have been worded by corporation lawyers, and, when it is said that the proposed water power laws grant unrestricted private ownership, it is the practical truth. (See foot-note.)

What Ought We to Have?

Any government official who favors laws which are hostile or detrimental to the introduction of public ownership of power, even at the end of fifty years, doubtlessly believes the public incompetent to learn to serve itself with this natural resource.

Is the public thus incompetent and bound to remain so? I do not believe it. Should such laws be tolerated by our present-day Americans? If not, what should be done? We should make laws favoring the transition of water power from private

Foot Note:—In the spring of 1917, when the above was written, the friends of public ownership of water power were working hard against the Shields' and similar bills, in the interest of better power laws, and they have been alert ever since. However, the results of their efforts are for the most part still unknown.

Under date of August 20, 1918, an Associated Press dispatch was published as follows:—

(By Associated Press.)

Washington, Aug. 20.—"Debate began in the House today on the administration water power bill providing a leasing system for development of power projects on navigable streams. Representative Ferris of Oklahoma, chairman of the public lands committee and a member of the joint committee on water power, led a fight for modification of the so-called "recapture clause" so as to give the Federal Government or any municipality the right to take over plants by paying the actual cost of the development."

If Mr. Ferris succeeds in this fight, a great step will be taken in advance of the position assumed in 1916 by a large majority of our national legislators.

to public ownership; we should frame a definitely outlined set of principles covering the regulation of rates charged by private corporations in the meantime. Recapture clauses should provide for purchase at any time by cities, counties, states, or our federal government, at prices determined under specifically described general terms approved by public-spirited experts and patriotic men familiar in detail with large public-owned and private owned industrial enterprises; in cases of purchase of electric plants by the public, these clauses should provide adequate compensation for private initiative, enterprise and risk. The laws should demand scientifically correct plans and substantial construction—subject to government approval.

Water Works as an Example.

We now have publicly owned municipal water works in all our important cities. To such an extent has public ownership of water works proved an advance over private ownership that it is difficult to imagine the impression that would be created today by a large city permitting itself to be supplied by private works. Cities that have engaged in the manufacture of electric current have found to their surprise that with experienced men at the head, this business is no more difficult than municipal water works to operate; in fact, the commercial departments of both these activities are very similar.

LEGISLATION OF WATER POWER

The following points should be weighed by our legislators in making our water power laws:

1. They should consider whether public regu-

lation of privately owned public utility corporations is practicable as a permanent plan.

2. They should bear in mind the fact that public ownership of electric power is in reality the first natural step towards public ownership or absolute control of railway transportation.

3. Next to the water business our power business is the one that seems best adapted to public operation, but we shall never be granted good legislation unless our legislators fully realize the profound importance of hydro-electric energy to the social and intellectual, as well as the industrial, progress of our country. This statement will mean little, unless we clearly comprehend the awful results that would follow our falling behind Europe and Japan in social and intellectual progress. Since this progress depends on industrial advancement, which in turn is founded principally on mechanical force, our social, intellectual and even spiritual strength is related directly and closely to mechanical force, and only less directly to water power legislation.

Here we see a problem which, if badly handled, will retard social and intellectual progress. Inferiority will be our lot if other nations treat this and kindred problems better than we, and foreign domination, whether open or sugar-coated, recognized or not, will be the outcome. In time, such domination will irritate us and war will result, with probable disaster for us. (See foot-note.)

4. Our legislators should take into account the practicability of public ownership of our electric

FOOT NOTE:—Our present military success (August, 1918), makes this and the preceding paragraph seem over-drawn. Yet, as long as the nation is unable or unwilling to keep and successfully operate its own water power in times of peace, it indicates a present existence of inferiority in social advancement. This in itself shows that we are in constant danger of being out-stripped.

power business and should provide means to make its success more certain. Hydro-electric courses, fostered by the Government in our State Universities, would promote this end.

5. They should bear in mind the fact that, as population becomes more dense and society more complex, no country can hold its own intellectually and spiritually against the onward tread of civilization, unless industrial effort is conducted with a corresponding growth of efficiency, one requisite of which is low-priced mechanical energy.

6. They should weigh deeply the increased risk to our economic welfare of the tampering with politics and the debauching of our local administrations occasioned often without premeditated design by nearly every private utility corporation added to a community.

7. They should note that it is to the interest of private power corporations to keep the public from engaging in the power business for two main reasons: *First*, through an extension of the public ownership of power the rapid numerical increase of private power corporations would be checked and they would therefore not have so great a number of employees and stockholders to back the efforts of hired expert persuaders, whose meddling with legislation has heretofore given us laws inconsistent with the best public policy. *Second*, after engaging in this enterprise more generally, the public would learn the truth about the cost of manufacture and distribution of current and would, therefore, be in position to regulate the private corporations more strictly, more intelligently and more justly.

8. Our legislators should appreciate the fact that, as men are constituted, it is practically im-

possible for any group of individuals carrying on a private power business to frame a power bill that will be fair to the public; that few men are available who are trained to frame such a bill as will adequately safeguard our public interests; that an adviser who does not insist upon the public's being protected fully is neither safe nor far-seeing and should not be followed.

9. Since electrical power is taking the lead as a driving force in industry, including transportation, and since the cost of power for driving machinery is one of the important elements in industry, it becomes extremely important that electrical power be furnished to industrial enterprises and to the public generally with strict impartiality and at the lowest practicable cost. Government operation of the power business will soon be of more consequence to the people than Government operation of our postoffices.

10. If impartial service at the minimum feasible price is not given the public, advancement in industrial efficiency will be retarded and the consequences will, of course, have to be borne by the public. This would not be so serious a matter if improvement in industrial justice did not depend largely upon a better industrial efficiency and if advance in spiritual development did not in turn rest largely upon them both.

11. Our legislators should consider that, practically as well as theoretically, public ownership of our most important utilities would stabilize and strengthen the country economically, and that under present conditions the next best steps in this direction are to obtain good water legislation and to inaugurate public ownership and operation of power. It is true that a fair quality of public

character is required to conduct successfully public ownership enterprises; but this character needs for its development actual experience.

12. Many details necessary for any good power bill can be supplied only by men who have had experience in the actual operation of *public* power plants and who have experienced and mastered the opposition of private power interests. Without the assistance of men possessed of such experience, combined with that acquired in regulating the rates of private power corporations, the best lawyers or legislators must fail in framing a power bill that is fair to the public. There are only three men on the Pacific Coast that I know of who are well qualified by experience in both theory and practice to give this information. There must be proportionally few in other parts of the country.

13. Our legislators should not overlook the fact that the rate of industrial development has advanced so rapidly in late years that a lease for the next half century of any natural resource would be equivalent from a business standpoint to one covering a very much longer period in the recent past.

14. They should be aware that the people's attention is being centered on improvement in our public service. Our universities are becoming deeply interested in the subject, and this is destined in hardly more than a decade to result in a supply of efficient public servants for all kinds of service, even in public utilities. Our electric power will doubtless be the first to receive the serious attention of these institutions.

15. They should fully realize that our most valuable and powerful national asset is the young people who stand ready to train themselves to fill

honorable positions offered by the public and that, if we safeguard our great undeveloped natural resources—such as power—and through the medium of our institutions of learning give these young citizens the necessary practical and theoretical training to manage these resources for us, we shall be on the scientific road of true progress.

16. Our legislators should always take into account the fact that large private interests of every sort naturally co-operate in their efforts to obtain favorable legislation, and that they have the finances to hire the best legal talent; that private interests rarely, if ever, work for legislation that safeguards public interest as against their own.

For nine years I have closely watched the struggle between the public and private electric power interests of Southern California, a struggle typical of similar controversies elsewhere; as a result of these observations, I have lost most of the faith I had in public regulation of private corporations, as compared with public ownership—provided there are available trained men of character to manage the public power plants, as has thus far been the case on the Pacific Coast. Under these conditions public ownership is vastly superior to regulated private ownership of electrical power.

CONNECTION OF OUR UNIVERSITIES WITH THE WATER POWER PROBLEM.*

One of the most important economic questions now before the people of this country, is the proper development and ownership of their unappropriated water power. The undesirable Shields' Water Power Bill, which passed the Senate on March 8, 1916, should be defeated in the House. (See foot-note). It is directly opposed to the public interest, although a superficial reading might lead to the belief that it was meant to protect the public. The bill provides for leasing water power sites in our navigable streams to private corporations for periods of fifty years; but it does not stipulate that with reasonable safeguards to protect private investment the public may take over the power business whenever it is prepared to do so. Furthermore, the conditions provided in the bill for the recapture of power by the public at the expiration of the fifty-year term are utterly against the interests of the people.

FOOT NOTE:—This article first appeared in the "Out West Magazine" of April, 1916, preceded by the following editorial note:—

"With numerous schools operated in our larger cities, financed by the great corporations of the country, which seize upon promising young men, mould and shape them at no little expense into able subalterns with the prospect of becoming leaders, Mr. Thum's suggestion that hydro-electric plants be added to the equipment of our state universities is peculiarly pertinent. It is inconceivable that the Public should handicap itself with inefficient employes, yet efficiency comes only with training. As presently constituted, training in the operation or manufacturing branch of Big Business can be secured only in the ranks of the great corporations where the student becomes impregnated with the ideals (?) of private ownership of public utilities. Public ownership of electrical energy is inevitable despite attempts by private interests to construct fifty-year obstructions, such as are typified by the Shields' Water Power Bill."

FOOT NOTE:—As is known by all who took an interest in the matter, the House refused to pass the Shields' bill in the form accepted by the Senate and the entire water power question was postponed. But, this question is now (August, 1918), again under consideration by Congress, and the reactionary interests that were behind the Shields' Bill are doubtless in better fighting trim than heretofore and should be closely watched.

The passing of such a bill can seem feasible only to those who do not realize how great are the hardships which its bad points would impose upon the public; it would seem advisable only to those who fail to appreciate: *first*, the ineradicable difficulties inherent to supervision of privately owned public utilities by the government; *second*, the ease with which the public itself can operate an electric power business when certain conditions exist that can be easily created and maintained; *third*, and what is most important, the fact that every earnest effort made by the community to maintain honest and efficient operation of its utilities elevates public spirit, strengthens public self-confidence, advances public morals, deepens public business intelligence and promotes public peace and contentment.

The Public owns this undeveloped and unappropriated water power; yet it is letting it all pass into the hands of private appropriators. With the exception of Los Angeles, Tacoma, Marquette, Seattle and Holyoke, no cities of the United States seem to have acquired water power in any considerable amount for the public benefit.

In this nation are many universities capable of thoroughly training young men to operate hydro-electric plants, provided they had as part of their equipment a model plant rendering commercial service in a large way. Most states, and especially those of the Pacific Coast, can justly boast of possessing a sufficient number of capable young men of the highest character, who, in order to serve their cities, are ready and eager to take up a combined practical and theoretical electro-engineering course at any of the Universities as soon as and wherever such a combined course is

offered: young men of such calibre that they would probably render a service far surpassing that usually given in privately owned hydro-electric plants in this country.

All but the managerial positions in these works could be filled with the best students who are taking an electrical engineering course and who are earning their way through college. They might be given employment at the works for a sufficient period to save out of their wages approximately enough to pay their expenses at college for a full semester, and return to the works again to earn the expense for another semester the following year, continuing in this way until the entire college course is completed. Naturally it would be so arranged that all instructive features of the work at the plant would re-enforce the theoretical training at college, just as they are now doing under the "Co-operative Plan" introduced and employed with increasing success by the University of Cincinnati. Where nearby sites are not available these power plants could be many miles from their respective universities without causing inconvenience.

Now, has the United States the right man or set of men to initiate the necessary laws for enabling our State Universities to add to their respective equipments a hydro-electric plant of, say, 50,000 or 100,000 horse power each for the purpose of: *first*, giving their electrical engineering students the best possible training for the operation of publicly or privately owned power plants; *second*, exhibiting at all times a model up-to-date demonstrating plant, for the benefit educationally of communities intending to engage in their own power business; *third*, learning by experience all

the facts necessary to regulate the business of privately owned power plants as justly as possible; *fourth*, supplying current to the surrounding territory? If such men are among us, as undoubtedly they are, there is nothing lacking but the start. When will it be made?

To carry out this plan to its conclusion—public ownership—no private power interest need be treated unfairly. Our public plants, where they come into competition with private plants, could serve at prices that would leave a fair margin to the private corporations, and the profits accruing to the public plants could be used to apply on their extensions or on the gradual purchase of the private plants. Serious competition between public and private plants would not be necessary, since the demand for electric current will always exceed what the hydro-electric plants can furnish. The public would not be hurt much by selling to itself at a profit until it has full control of the field; for, if it continue its present slow methods of extending public ownership of the electric power business and does not adopt a general policy for promoting public ownership in some well ordered manner that involves the most thorough development of specialists and the inauguration of the most efficient business system for operating the plants, progress in this line will be seriously retarded, making such service as a whole cost much more than it would under the plan above suggested.

If we, the Public, have in the past depended upon private enterprise to supply us with electric current, because we have been too gullible, incompetent, indifferent, or corruptible to operate our own electric power plants heretofore, we ought

now, if we enter this business, to protect fairly all private owners that are inclined to be reasonable, until we can take over their plants on a just basis.

The importance to our country of public ownership of electric energy is so great that private owners will eventually have to yield to the inevitable change from private to public operation of this utility. Then why should not we, the Public, prepare to enter this field intelligently and express our strenuous opposition to the proposed law above mentioned, until it is amended so as to provide *adequately* for the acquisition by municipalities of private power plants on fair terms at any time during the life of the fifty-year lease contemplated by the Government, and also for the establishment by each state of a large commercial plant for operation by its own universities?

AUTHOR'S NOTE

When land (and this, of course, includes water) has been made actually free and prices of essentail commodities are regulated by public authority, and successful public ownership of important public utilities is extended and taxes are wisely levied on private incomes, then only will the consumer be untaxed and our great tax problem solved.

APPENDIX I.

The following statement is a supplement to the introduction:

In this book when speaking of the Single Tax theory, I consider the subject as it was published by Henry George in 1879 and promulgated by his followers until after 1911. In that year I attended a lecture on Single Tax given by Joseph Fels and Daniel Keifer who were the two principal advocates of this system, and they were still adhering to Mr. George's plan fully.

During this period, thought on Single Tax remained stationary but some time after this Single Taxers began to think more seriously upon the matter. They divided spontaneously into groups, some holding to the original theory strictly, others accepting modifications of it. The comparative recentness of this thought activity only indicates that the whole theory needs further serious consideration.

APPENDIX II.

Referring to the second paragraph under the heading "Avoiding High Land Taxes", (pages 20 and 21), it is not as clearly expressed as it should be. What follows is a revised form.

I can readily see that this move of the trusts to reduce the land tax to a minimum could be frustrated by our public authorities. If given the power, they could arbitrarily increase the tax and thus compel a rise in the prices demanded by these raw material corporations. To prevent the rise from being entirely shifted onto the consumer, however, the taxes would have to

be increased to such an extent as to necessitate an increase in prices beyond his purse, if the original amount of profit were to be covered. In this instance the consumer could not do more than to meet the burden of the advance up to the limit of what "the traffic will bear". The only remedy for such a condition would be to lower taxes and to make government price regulation so thorough as to require administrative machinery which would suffice for the public operation of the trusts themselves.

APPENDIX III.

The following should have appeared on page 67 as indicated.

Capital Investment *in* and *upon* Land.

Capital Investment *in* any parcel of land, as distinguished from capital investment *upon* it is a sum equal to such part of the taxes as have from time to time been paid on the parcel for public improvements not located upon it, and otherwise for creating conditions necessary or desirable for the social life of the community. For immediate purposes capital investment *in* land does not include money that may have been paid for its location.

Capital investment *upon* land is the money value of the improvements located within its boundries, such as buildings, wells, drains, sewers, fruit trees, crops, etc. If interest charges are an allowable part of the capital investment *in* land, such questions as the following arise:

First: In which case may interest be charged?

Second: How is the interest rate to be determined?

Third: During what period of time shall interest be allowed?

Fourth: Shall any rent received in excess of a legally permitted income be deducted from the capital invested *in* land?

Unearned Increments, a Revised Definition.

In case of sale or reappraisal of land, the unearned price-increment is the amount received or appraised in excess of the capital invested *in* the property, no account being taken of any additional price paid for location. Now, if calculations determining the amount of this investment are made on the same lines as those covering any other kind of investment, it will be found that in a vast number of cases there is no unearned increment, but a decrement.

The unearned land-rent-increment is the net amount of rent received in excess of a legally allowed rate of income on the capital invested *in* the land, additional capital paid for location again being disregarded.

Rent Survey Desirable.

It is quite possible that the total of all land-rent paid in the United States is but a fair return on the aggregate capital investment *in* all its land. Now, if this total amount of such land-rent could be and were equitably distributed between all property owners, it would finally reach the consumer in as just proportions as is possible under our present economic system. No injustice would then be done to the people; for it is their duty as consumers to bear rents on these improvements, if just in amount and fairly distributed, as a part of the legitimate cost of the

materials and services they purchase. But, on account of the uncertainties in the real estate business rents are not and cannot as a rule be equitably distributed.

It seems that no accurate and comprehensive survey has ever been made of the rent conditions in the United States to determine in what respect and in what degree these rents are unfair. Yet equity is the basic principal of true progress.

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